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Public Utilities Commission
State of California
1985-1986
Annual Report

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PUC 1985-86 Annual Report

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California Public Utilities Commission

Letter of Transmittal

The Honorable
George Deukmejian
Governor of California

California's utilities are in a great period of change. Once complacent monopolies now face the challenges of competition. A theme recurs, as when we faced the issues of telecommunications bypass, fuel switching in the natural gas area and electric self-generation last year: competitive challenges are forcing utilities—and the PUC—to rethink some basic business and regulatory policy assumptions.

In our PUC Annual Report for the 1985–86 Fiscal Year, we respectfully summarize our efforts to meet these challenges.

What brought about these changes? Competition in the utility industry has two main causes: technology and federal policy. For better or worse, competition is likely to grow over the foreseeable future. For example, in telecommunications, the merging of data and telephone technology has resulted in new entry into the industry Because federal policy accommodates such entry, we are witnessing an increasing number of competitive telecommunications services, including long-distance, customer premises equipment, cellular radio and even parts of local exchange service.

In natural gas, the Natural Gas Policy Act's wellhead deregulation results, the Federal Energy Regulatory Commission's (FERC) pipeline transportation policy, and the collapse of the Organization of Petroleum Exporting Countries (OPEC) all have greatly increased competitive pressures on California utilities.

In electricity, the independent production program and opportunities to buy out-of-state electricity are challenging the utilities' monopoly over electric generation. In addition, more and more customers are contemplating "self-generation," and abandoning utility service as a primary supply source.

Some common themes have emerged as we grapple with these issues in the various proceedings before us:

First, although competition is significant, it is not pervasive. Not all customers in any utility's service territories can take advantage of competitive alternatives. We expect that utilities will continue to maintain monopoly control over services for the foreseeable future, including services to nearly all residential and small business customers. It will, therefore, be necessary as in the past to protect customers against monopoly pricing.

Second, emerging competitors tend to serve the largest customers. In telecommunications, for example, bypass proposals are typically directed at very large business and government agencies. In natural gas, the biggest competitive threat is for the enormous Kern County enhanced oil recovery (EOR) market. The major competitive threat in electricity is cogeneration by large customers.

The third theme is that in order for utilities to remain competitive, we must often lower rates and develop new packages of services for larger customers to retain them as utility customers. As we do this, unfortunately, rates for customers with few alternatives must rise in order to maintain the utilities' financial health. Generally, it is better to keep these large customers with the utility, rather than lose them entirely, in order to retain some contribution to utilities' fixed costs by large customers.

A final theme is that utilities are responding to emerging competition by going into new lines of business—diversifying. For example, telephone companies are beginning to offer products through their unregulated subsidiaries that are competing with utility services. Energy utilities have entered into the cogeneration business, partly in order to maintain market position. In view of growing competition, diversification may be an understandable strategy for the utilities. However, it is also a development that requires more vigorous Commission review to ensure that ratepayers' interests are protected from anti-competitive cross subsidies, and to prevent any undermining of the utilities' rate base for the delivery of least-cost services to the public.

In the face of growing competition, the Commission is evaluating its regulatory policy for the energy and telecommunications utilities. We have conducted a number of investigations and public hearings to enable us to understand what these changes imply for policy. We have made much progress in adjusting to a changed environment, but much remains to be done.

Five major new directions have become apparent to us:

(1) The PUC must become market focused.

Utilities face competitive pressures in major segments of their markets because their costs are segmentally accrued. Therefore, the Commission needs to understand the nature and extent of these competitive pressures if it is to determine whether to allow utilities to reduce rates for some customers and raise them for others to meet the competitive threat.

(2) We must understand utilities' costs of serving various customer segments.

In order to determine whether it is worth redesigning rates to meet competition, the Commission needs to understand the costs of providing specific services. For example, in order to decide whether to permit Pacific Gas & Electric Company (PG&E) to lower prices for large users as a means of competing with self-generating options available to them, the PUC needs to understand whether the reduced revenues exceed the costs of providing service.

If they don't, other ratepayers would not benefit from keeping these large customers with self-generation/cogeneration capability in the system. Lower prices would simply represent a cross-subsidy. Although we have come far in understanding overall costs of providing utility service, we are still building on our capabilities in specific product analysis.

(3) We must redefine service obligations.

Historically, utilities have had an obligation to serve all customers in their service territories. They accepted this obligation in return for a monopoly franchise. We must re-examine this service obligation in light of those customers with competitive alternatives.

Utilities must often make long-term investments in order to serve a customer. If a large group of customers abandon the utility, someone must pick up these costs.

Typically, utility services are priced without long-term contractual obligations with customers. In the new environment, it may be appropriate to ask customers who could abandon the utility to make long-term commitments before the utility makes large capital investments to serve them. Another approach to dealing with the service obligation issue is to assess "stand-by" charges on customers. For example, industrial customers who choose to burn oil instead of natural gas at any particular time continue to benefit by having the natural gas distribution system as an option for the future. Through stand-by charges, such customers would pay for the option.

(4) PUC management must carefully examine utility investment programs.

In a period in which competition may overwhelm some segments of the utility market, it is crucial that utilities are careful to avoid investing in equipment that will ultimately become stranded due to competition. The Commission's review of telecommunications modernization programs, natural gas procurement strategy, and electric utility generation plans, is critically important.

(5) The Commission should shift responsibility and risks to utilities whenever possible. Utility management can be closer to the market than the regulators. If utilities bear risks and stand to gain rewards, they may be better positioned to respond to market forces.

This strategy, designed to enable our response to competition, in no way suggests that the Commission can abandon the work it has performed well over the years: scrutinizing applications, setting service standards, and adjudicating customer complaints. Our workload in these areas last Fiscal Year was as heavy as ever. Competition poses new challenges to protect consumers from monopoly utilities.

We have so far discussed only so-called "stationary utilities" (telecommunications, electricity, natural gas, etc.) The transportation industry also presents regulatory challenges associated with competition. The PUC last year issued a major decision establishing an updated framework for future general freight regulation. The resulting new PUC program attempts to blend the best of regulation and competition to create a framework for a stable and efficient transportation infrastructure for California. Implementation of this decision will be a major effort for the Commission in the coming months.

Competition has entered the utility business, for better or worse. While its benefits for any particular market is a subject of debate, the reality is that regardless of the policy of the Legislature or the PUC, significantly increased competition appears to be inevitable in the future.

DONALD VIAL
President

Donald Vial

PRISCILLA C. GREW
Commissioner

Priscilla C. Grew

VICTOR CALVO
Commissioner

Victor Calvo

STANLEY W. HULETT
Commissioner

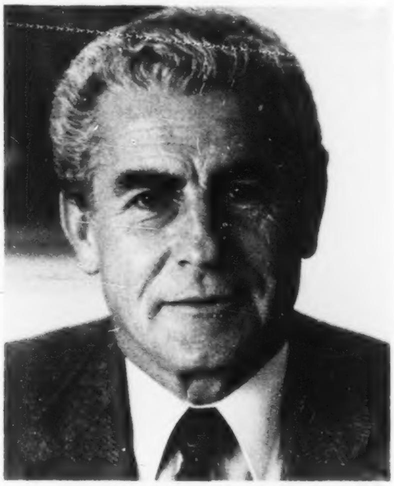
Stanley W. Hulett

FREDERICK R. DUDA
Commissioner

Frederick R. Duda

California Public Utilities Commission

The Commission



DONALD VIAL
President

President Donald Vial was appointed to the PUC on December 21, 1982 by Governor Edmund G. Brown, Jr. to a six-year term.

Prior to his PUC appointment, President Vial served for seven years as Director of Industrial Relations for the State of California, and member of the Governor's Cabinet.

Following military service in Europe during World War II, he returned to California to complete his education at the University of California, Berkeley. He received a B.A. degree in Political Science and a Masters degree in Economics.

President Vial held various positions, ranging from Labor Economist to Director of Research and Education in the 13 years he was employed with the California Labor Federation, AFL-CIO, and its predecessor, the California State Federation of Labor, AFL.

In 1964, he combined the fields of education and labor to become Chairman of the Center for Labor Research and Education at the Institute of Industrial Relations on the Berkeley campus of the University of California, where he remained until 1975.

President Vial has enjoyed several gubernatorial and legislative appointments in the past, such as, Chairperson of the Program Advisory Committee to the California State Office of Consumer Counsel, 1963–66; Member of the Hospital and Related Facilities Planning Committee, 1965–67; and Member of the Advisory Council on Public Employee Relations, 1972–73.

He has served on numerous Boards of Directors, including the Industrial Relations Research Association, the Consumer Research Foundation, KQED, ACLU of Northern California and California Association of Consumers. He belongs to the American Federation of Teachers (inactive status) and is widely published in a number of labor related publications.

President Vial resides with his family in San Rafael.

PRISCILLA C. GREW
Commissioner

Dr. Priscilla C. Grew was appointed to the PUC on March 25, 1981 by Governor Edmund G. Brown, Jr. for a six-year term.

From 1977 to 1981, Dr. Grew was Director of the California Department of Conservation which regulates oil, gas and geothermal well operations and performs geothermal resources assessments in the state.

She chaired the State Geothermal Task Force in 1977–78 which formulated recommendations to accelerate geothermal development in California. Her experience in the geothermal energy field also includes service from 1972 to 1977 as a consultant and visiting staff member at the Los Alamos Scientific Laboratory, where she worked on geological aspects of the innovative hot dry rock technology.

From 1971 to 1977, she was Assistant Research Geologist at the Institute of Geophysics and Planetary Physics at UCLA. Her research has included studies of metamorphic rocks, earthquakes, and coal resource development in the Colorado River Basin.

Dr. Grew received her Ph.D. in Geology from the University of California, Berkeley, and her B.A. in Geology from Bryn Mawr College. She has taught geology and environmental studies at Boston College, U.C. Davis and UCLA.

Dr. Grew serves on the National Research Council Board on Mineral and Energy Resources and the National Advisory Committee to the U.S. Geological Survey.

VICTOR CALVO
Commissioner

Victor Calvo was appointed to the Public Utilities Commission on February 19, 1981 for a six-year term by Governor Edmund G. Brown, Jr. He is a lifelong resident of Santa Clara County, educated in local public schools. He served as a combat pilot in World War II, and received a B.A. degree in Political Science from Stanford University.

Vic Calvo served the City of Mountain View for a total of 11 years—first as planning commissioner, then as a city council member, and later as mayor. He then served for six years as Santa Clara County Supervisor and was also the Board's representative to the Bay Area Air Pollution Control District and the Executive Committee of the Association of Bay Area Governments. He also was chairman of the Urban County Division of the National Association of Counties.

Vic Calvo was elected to the Assembly in November 1974, reelected to a second term in November 1976, and a third term in November 1978. He represented the 21st Assembly District which includes northern Santa Clara County and a portion of southern San Mateo County.

After two years, he was appointed Chairman, Assembly Resources, Land Use & Energy Committee. One of the major committees in the Assembly, this committee deals with the vital issue of state energy policy.

Vic successfully legislated in a diversity of legislative areas of interest—having over 50 measures signed into law. His major bills were in the areas of business, energy, environment, social welfare, transportation and education.

His work outside of government includes general investments and sole ownership of a retail lumber and building material yard. He also was recently elected to the Board of Directors of a local bank.

He is married to the former Nellie Quintero. They have five children: Suzanna, Victor, Peter, Theodore and Mary.

STANLEY W. HULETT
Commissioner

Stan Hulett was appointed to the Public Utilities Commission by Governor George Deukmejian on May 6, 1986. Commissioner Hulett also serves as a member of the California Transportation Commission, representing the PUC on that body.

Commissioner Hulett was born in San Francisco on July 31, 1938, and is a fourth generation Californian. He was educated in public schools in Willits (Mendocino County) and graduated from Menlo College (1958) and Stanford University (1960) with a degree in Political Science.

After ten years in the lumber industry, he joined the staff of former Republican Don H. Clausen (R—Calif.) as legislative assistant. He later served as Associate Director of the National Park Service and Deputy Director of the Interior Department's Bureau of Outdoor Recreation. Following government service, he was a Vice President of the American Paper Institute in Washington, D.C. and Executive Vice President of the California Forest Protective Association in Sacramento.

Returning to government after the election of President Ronald Reagan, Commissioner Hulett served the Department of Interior as Assistant to the Secretary and Director of Congressional and Legislative Affairs. He returned to California to serve as field representative for Interior and also for the Secretary of Energy.

Commissioner Hulett is married to the former Mary Ann Minenna of San Francisco. He is a member of the San Francisco Rotary Club, Olympic Club of San Francisco, Commonwealth Club, Masonic Lodge and has served on numerous boards of directors of public organizations.

FREDERICK R. DUDA
Commissioner

Frederick R. Duda was appointed to the Commission by Governor George Deukmejian on Nov. 27, 1984 to fill the unexpired term of former PUC President Leonard M. Grimes, Jr.

Commissioner Duda was born in Chicago, Illinois. His education at the University of Illinois at Champagne was interrupted by the Korean War, in which he served with the 69th Topographic Engineering Company. After his honorable discharge from the U.S. Army, he returned to college. He received his B.S. Degree in Management and Economics at the University's School of Commerce. At Illinois, Commissioner Duda was on the President's Scholastic Honor Roll and was a member of the University's Scholastic Honor Society.

He worked as a manager for Montgomery Ward & Co. from 1951 to 1954. From 1954 to 1959 he was a marketing executive for the Shell Oil Co.

He attended the University of San Francisco Law School and received his JD Degree in 1959. In private law practice over a 25-year period Commissioner Duda's legal career included a variety of specialized legal work: criminal law, negligence, warranty, product liability, and maritime and admiralty matters. He served as General Counsel for Local 192 of the Amalgamated Transit Union, AFL-CIO, which represents 2,000 AC Transit workers. He has served as Judge Pro Tem in the Hayward-San Leandro Judicial District Municipal Court and as an arbitrator for the American Arbitration Association and Superior Court of Contra Costa County.

In East Bay communities Commissioner Duda has served on the Board of Directors for Children's Hospital Foundation, the Fred Finch Youth Center, United Bay Area Crusade (Board of Trustees), Oakland Symphony Orchestra Association and as President of various clubs including Kiwanis Club of Lake Merritt and the Lake Merritt Breakfast Club. He also served as lieutenant governor of Division Two of the Cal-Nev-Ha District of Kiwanis International.

In addition, he founded and was chairman and coordinator of an Oakland drug abuse prevention and education program for elementary and high school students. He has also served as Director of the Alameda-Contra Costa Committee for Employment of the Handicapped. He won the Kiwanis Club "Man of the Year" award in 1967. Commissioner Duda is married to the former Barbara Benjamin. They have two adult sons and live in Moraga, California.

California Public Utilities Commission

Energy

MOVEMENT TOWARD NEW NATURAL GAS RATE DESIGN

California Producers' Gas Gathering Costs

The Commission's Public Staff last year analyzed PG&E's charges for gathering gas from California producers and moving it to gas load centers.

It was essential to resolve this issue so that utility companies can buy gas with the least average cost. The Commission issued a decision for PG&E's Fall, 1985 Gas Adjustment Clause (GAC) proceeding based on its staff's recommendation that it direct California gas producers to submit a study of their own, challenging the finding of the "gathering charge." No such showing has been offered to date.

Interstate Pipeline Threat

If interstate pipeline companies are allowed to build facilities to serve big, industrial gas customers in the California market, the remaining ratepayers will have to pay the system's existing fixed charges. The Commission's staff has been vigilant in keeping the PUC alert to this threat.

The staff also advised the Commission on the practical effects of its natural gas rate design decision of last year. It made the following points, among others:

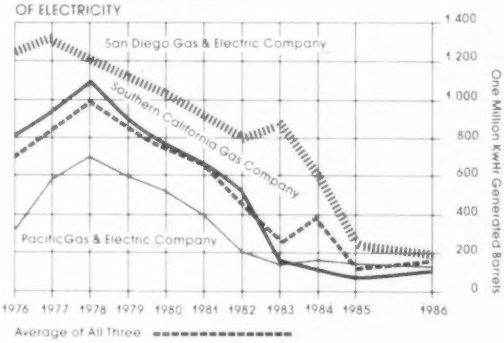
- utilities should not be obligated to procure firm gas supplies for customers who can elect not to take them,
- long term supply portfolios should serve only the core market and core market users should pay a higher price for maintaining an assured natural gas supply than is paid in the spot gas market.

Ongoing Review of Utility Fuel Purchases

The rapidly changing pricing and availability of gas and fuel oil required the Commission's staff to maintain weekly contact with utility purchasing agents, and advise utilities on lower cost fuel sources.

The PUC Public Staff pointed out the availability to PG&E of spot gas through the El Paso system, noting that SoCal Gas had been buying spot gas from this source since early 1985. The PUC staff has recommended that PG&E be penalized $1.9 million for its delay in buying least-cost gas.

FUEL OIL PORTION OF THE MIX NEEDED TO GENERATE ONE MILLION KWHR OF ELECTRICITY



Fuel Cost Offsets

PG&E

PG&E's Diablo Canyon Nuclear Generating Unit 2 began commercial operation on March 13, 1986. This resulted in fuel cost savings of about $61 million for approximately five months last year (assuming the nuclear energy had been used in place of the same amount of purchased power). PSD analyzed fuel costs for the 1985–1986 fiscal year:

Results of Fuel Cost Analyses During Fiscal Year

Southern California Edison Company

The Commission last year adopted a recommendation by its Public Staff that Edison's carrying cost for fuel oil inventory be changed from the rate of return to bankers' acceptances. This PUC action led to a 62 percent decrease in costs, or $47 million in savings.

The PUC last year opened an investigation into the cause of the disastrous steam reheat pipe accident at Unit 1 of the Mohave Steam Plant, which is partly owned by Edison. That accident resulted in nine deaths, many injuries and property damage.

The Commission granted Edison an increase of $130 million in April, 1986, to allow a nine month amortization of the undercollection in the utility's ECAC Balancing Account. At the same time, the Annual Energy Rate (AER) of 10 percent was eliminated until further notice, due to fluctuating fuel prices.

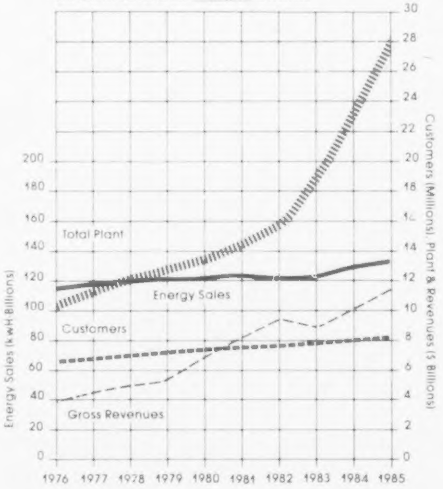
San Diego Gas & Electric Company

Acting on recommendations by its Public Staff, the PUC last year decreased SDG&E's electric rates by $65.2 million and disallowed $9,894,870. The disallowances were based upon:

- imprudent fuel management practices, where SDG&E had used efficiency rather than incremental cost dispatch,
- imprudent fuel oil management related to Chevron's oil transportation method, and
- the fire at Unit 1 of the San Onofre Nuclear Power Plant.

Pacific Gas and Electric Company

In August, 1985 the Commission decreased PG&E's electric rates by $421 million. This decrease reflected a change in the utility's revenue requirement for its Energy Cost Adjustment Clause (ECAC), the Annual Energy Rate (AER), and the Electric Revenue Adjustment Mechanism (ERAM). The Commission based the rate reduction on good hydro conditions due to abundant rainfall and a drop in natural gas costs. In that decision the PUC also established a performance standard for electric generating plants powered by fossil fuel.



GROWTH OF LARGE ELECTRIC UTILITIES

Long Term Gas Rate Design

The staff last year continued to refine its proposed marginal cost-based gas rate design in the major gas utilities' Spring offset proceedings. Federal Orders lifting contractual constraints on competition and reductions in natural gas prices by Canadian suppliers last year made Canadian gas more competitive in the U.S. The staff rate design, begun in June 1985 in the Commission's investigation into natural gas rate design, continued with the Spring offset hearings.

The staff presentation was consistent with simultaneous Commission natural gas rate design investigations and proposed natural gas rate design rulemaking proceedings. The Commission had earlier called for the analysis and development of cost-based rates in these proceedings.

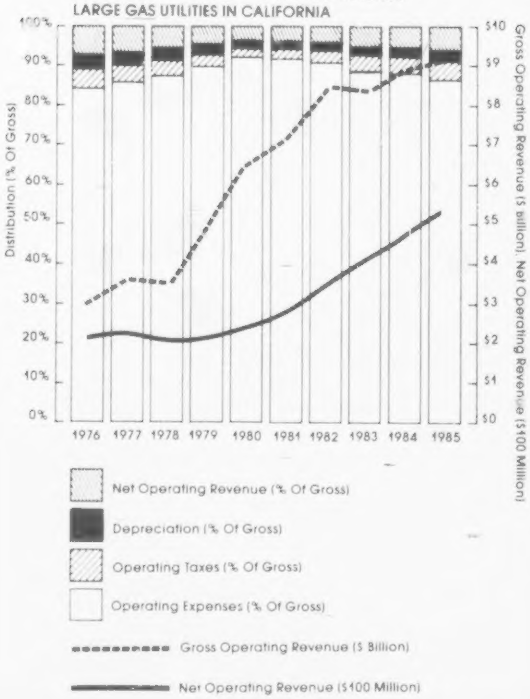
The PUC staff proposed "unbundled" gas rates for interruptible customers which are built on customer demand, and commodity costs. Customer charges are based on actual costs of serving customer classes. Demand charges are developed by measuring the seasonal capacity requirements of a given customer class. Commodity charges are based on the cost of gas. Under the Commission staff's proposal, firm-service residential and commercial customers would continue to pay "bundled" rates based on volume, but rates for these customer classes are based on cost-of-service as well.

Gas rates would change with the cost of gas for both firm and interruptible service customers. The Commission's staff is trying to design rates that send competitive price signals to producers and that provide service options to customers in the gas industry's changed environment.

GAS MARGINAL COST AND REVENUE ALLOCATION

The Commission's Public Staff is recommending restructuring revenue allocation to more closely reflect the marginal cost of service. It believes that cost-based pricing will allow gas producers to more directly compete with alternative fuel producers, hopefully resulting in lower prices. Value-based pricing, which is currently used, sets gas rates to customers capable of switching to alternate fuel near the cost of that fuel, regardless of the cost of gas, and sets other rates residually.

DISTRIBUTION OF GROSS OPERATING REVENUE
LARGE GAS UTILITIES IN CALIFORNIA



The PUC's Public Staff claims that its recommended method for calculating the marginal transmission and distribution cost of gas, (mentioned above):

- amortizes the replacement cost of the rate base as a level stream in real dollars, simulating the equilibrium price in a competitive rental market,
- promotes equity between current ratepayers by removing vintaging from rates, and
- promotes equity between time-periods by levelizing costs in real terms.

Attempts at Inter-regional Agreement on Electricity Pricing Continuing Intervention in Federal Proceedings

The Commission continued intervening in out-of-state proceedings by testifying at Federal Energy Regulatory Commission (FERC) proceedings to determine the rate for non-firm energy sold by Bonneville Power Administration (BPA) to California.

The PUC is seeking nearly $800 million, plus interest, in overcharges because of excessive rates since 1979.

BPA sought to adjust its non-firm energy rates in the spring of 1986, citing emergency conditions created by falling oil and gas prices. The CPUC filed briefs with BPA and FERC objecting to BPA's failure to follow the laws which govern its rate adjustments and the improper new rates BPA intended to implement. The FERC has granted interim approval of BPA's request, subject to refund, but with the proviso that BPA come up with better support for its need for the rate adjustment. The Commission is reviewing the record and is in the proceeding to protect California ratepayers. The PUC also reviewed and commented on BPA's proposed method for allocating the costs of the Washington Public Power Supply System (WPPSS) Unit 3 Settlement. This settlement involves a lawsuit brought by Pacific Northwest investor-owned utilities against BPA when BPA terminated the construction of WPPSS 3, in which the investor-owned utilities had a thirty percent share. The settlement places certain costs on BPA in order to drop the $2 billion action that was pending. BPA proposes to pass some of these settlement costs to California. The PUC continues to oppose the contention that California ratepayers should pay any of these costs.

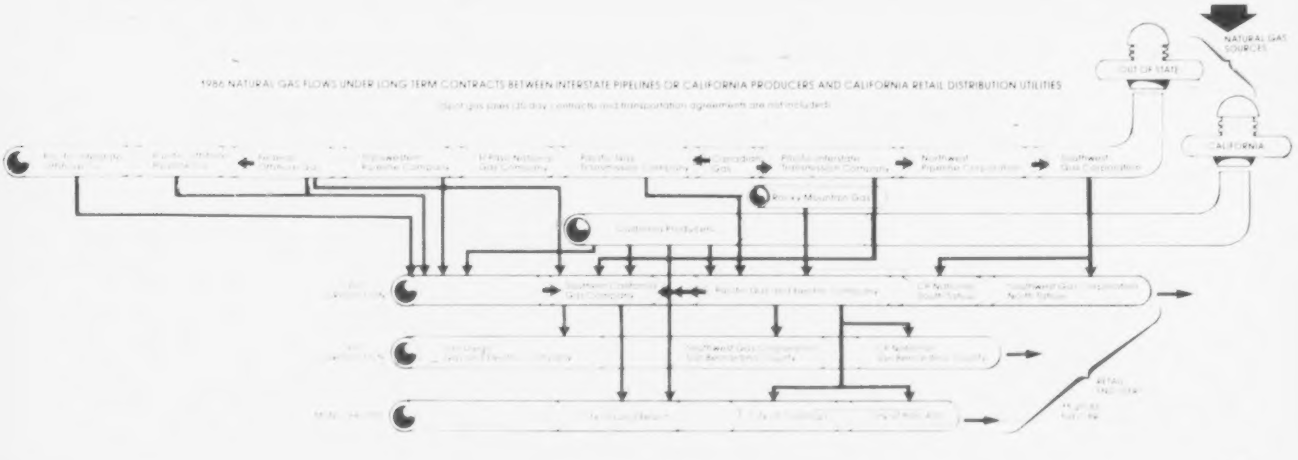
Further, the CPUC participated in BPA's proceeding to implement Firm Displacement Rates, which are for the purpose of selling BPA's surplus resources to Pacific Northwest utilities only if these utilities agree to sell the same amount of energy to California.

The PUC and BPA have been actively involved in analyzing non-firm energy rate issues since November 1985, when the BPA Administrator met with the President of the PUC and the Chairman of the California Energy Commission. A discussion paper has been prepared and numerous letters exchanged, which explore non-firm energy rate issues and settlement of outstanding differences between the regions.

Furthermore, Southern California Edison and BPA have negotiated a contract for firm energy and capacity to cover a 20-year period. The CPUC has participated in BPA's rate proceeding on this contract and made comments on the Environmental Assessment of this contract.

Finally, the Commission continues to monitor many BPA actions to ascertain their effect on California. Examples of things being watched are proposed preferential rates to the Pacific Northwest Aluminum industry, conservation program proposals, resource planning studies, studies of the construction restart of WPPSS Units 1 and 3, the BPA's ongoing actions to control access to the interties, and negotiations for firm electricity sales from the Pacific Northwest.

In the fall of 1985 the CPUC sent comments to the Northwest Power Planning Council (NPPC) on the NPPC's draft regional energy plan. This plan affects the energy that California buys from the Pacific Northwest. The amount of this energy can exceed 4000 average megawatts per year—over 20 percent of California's energy sales.


NATURAL GAS SOURCES
OUT OF STATE
CALIFORNIA
1986 NATURAL GAS FLOWS UNDER LONG TERM CONTRACTS BETWEEN INTERSTATE PIPELINES OR CALIFORNIA PRODUCERS AND CALIFORNIA RETAIL DISTRIBUTION UTILITIES
Pacific Offshore Pipeline Co.
Federal Offshore Gas
Transwestern Pipeline Company
El Paso Natural Gas Company
Pacific Gas Transmission Company
Canadian Gas
Pacific Interstate Transmission Company
Northwest Pipeline Corporation
Southwest Gas Corporation
Rocky Mountain Gas
California Producers
Southern California Gas Company
Pacific Gas and Electric Company
CP National South Tahoe
Southwest Gas Corporation North Tahoe
San Diego Gas and Electric Company
Southwest Gas Corporation San Bernardino County
CP National San Bernardino County
RETAIL

Limited Deregulation Inquiries

The PUC last year responded to the FERC's request for comments in the FERC's inquiry into all aspects of its regulation of electricity, including possible deregulation. The PUC supports deregulation of electricity in competitive markets, or markets which can be made competitive. But the PUC has pointed out to the FERC that most electricity markets in California are not now competitive and cannot be made so by any regulatory options open to FERC.

PROPOSED POWER POOL EXPERIMENT

Twelve utilities in the eleven Western States are considering an experimental power pooling arrangement.

The experiment would feature deregulated prices for generation and transmission services sold to participating utilities. An electronic "bulletin board" would be used to post the buy-and-sell prices and quantities of all participants. The experiment would run two years, during and after which results would be analyzed to determine if efficiency and equity are improved.

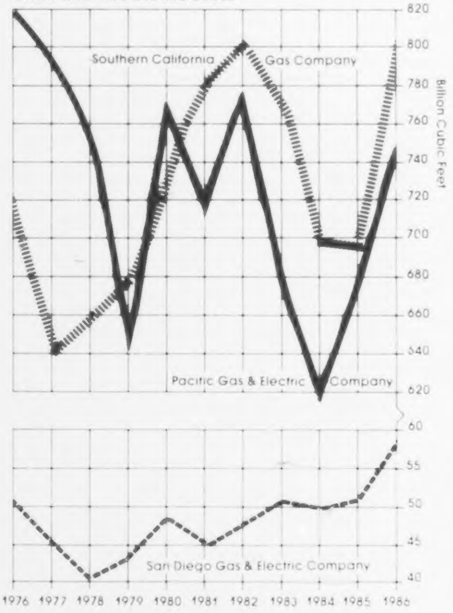
Canadian Gas-selling Proposal

British Columbia has proposed building a hydroelectric plant at Site C on the Peace River in order to sell electricity to California. The plant would have approximately 900 MW of capacity and annual firm energy capability of about 4600 Gigawatts (GWh). Utilities in Canada, the Pacific Northwest and California have signed a letter of commitment to study this proposal. If built, this plant could provide electricity to California by the early 1990's. The Pacific Northwest has indicated that before Site C can be developed and sold to California, the Pacific Northwest must first dispose of its own surplus, and a fourth high voltage transmission line must be built to California.

Continuing Review of Resource Plans in Rate Cases

The CPUC staff reviewed PG&E's resource plan in the utility's most recent general rate case and found that there is very little need for new electric generation resources in the next several years.

MAJOR GAS UTILITIES GAS SALES
OTHER THAN RESALES RECORDED



This finding dictates a deviation from the Commission's "stay the course" policy regarding utility funded conservation and load management programs. The staff recommends that the PUC review the utility's ambitious program to overhaul its existing generation plants before major capital commitments are made. The staff reviewed for reasonableness the investment dollars spent by PG&E to construct Geysers Units 16 and 20 and found these amounts to be reasonable.

The PUC staff is now investigating the resource plan of Pacific Power and Light (PP&L) in PP&L's current general rate case. PP&L's acquisition of a portion of surplus resources in the

Pacific Northwest to meet PP&L's load growth is an issue. Also to be studied is the proper ratemaking treatment for PP&L's investment in Colstrip Units 3 and 4.

Review of Southwest Powerlink Ordered

The PUC has ordered special ratemaking treatment of SDG&E's purchases of SDG&E's transmission line to Arizona known as the Southwest Powerlink (SWPL). Records indicate that SDG&E's purchases over SWPL may be more expensive than other options open to SDG&E. The PUC has ordered a special rehearing investigation to ensure that ratepayers are treated fairly.

The investigation will cover the proper role for SWPL in SDG&E's resource plan and the best ratemaking treatment for this project.

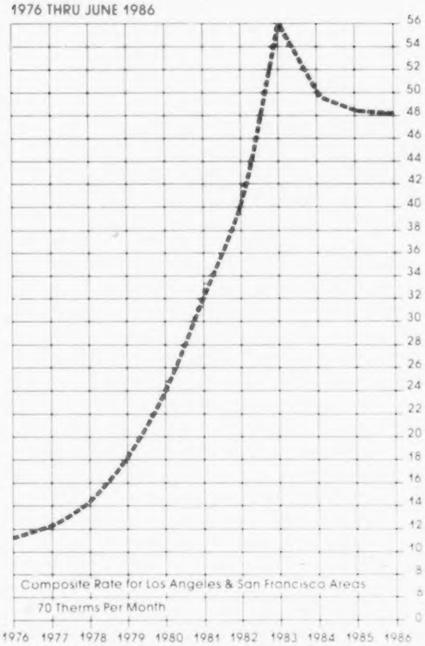
Novel Environmental Monitoring Technique

When the PUC approved construction of the Devers Valley-Serrano 500 kV transmission it began an innovative environmental monitoring program that helps streamline the regulatory process while improving the level of environmental protection.

Customary Environmental Impact Reports (EIR) attempt to predict all potential environmental effects of a project. The EIR the PUC approved for the Devers Valley-Serrano project addresses basic effects and outlines sound environmental protection principles to be followed later.

The Commission then required the preparation of an environmental protection plan which calls for detailed environmental analyses as part of the route selection and tower placement processes.

The result, now that the project is about two-thirds completed, is consensus among the environmental professionals involved, that this type of post-certification procedure is an effective alternative to more conventional EIRs, and regulatory approaches.


TREND OF MONTHLY BILLS
FOR RESIDENTIAL GAS SERVICE
1976 THRU JUNE 1986

Three Transmission Project Applications Accepted

The PUC staff last year accepted three Certificates of Public Convenience and Necessity applications from Edison for transmission projects. They are:

- for the 500 kV Devers-Palo Verde No. 2,
- the 230 kV Gould-Mesa project, and
- the Park-Lewis-Barre project.

These projects will be the first to be processed by the Commission under the 12 to 15-month time limits set by state law.

Intertie Planning Study Underway

The PUC staff last year began the Intertie Planning Study as part of its review of the Devers-Palo Verde No. 2 application by Edison. The study will evaluate the alternatives currently available to utility decision-makers, including major interties, from an environmental, economic, and ratemaking perspective. It will aid the

Commission and its staff in evaluating the risks associated with major investments such as interties, that rely, economically, on out-of-state energy markets.

California-Oregon Transmission Project

For the first time, since the Cooperative Environmental Quality Act (CEQA) was enacted, the PUC will not be the lead agency for a major transmission line proposed to be built in California.

The California-Oregon Transmission Project is being planned by a consortium of public agencies known as the Transmission Agency of Northern California (TANC). Members include several non-TANC public agencies and the state's three largest investor-owned energy utilities. TANC serves as the lead agency for the overall project. Because state law limits Responsible Agencies' role for this project to a six-month review, the PUC staff has begun a detailed economic and environmental analysis of the project well in advance of the expected filing date of April, 1987. The utilities involved—PG&E, Edison and SDG&E—have agreed to set up a reimbursable account to pay for any consulting services the staff may need for its review. Payment under this agreement will be earlier than required by the PUC Code.

Electric Marginal Cost and Revenue Allocation

In the current PG&E general rate case, the PUC's Public Staff further refined the methodology for determining marginal electric customer costs it had earlier presented in the SDG&E general rate case.

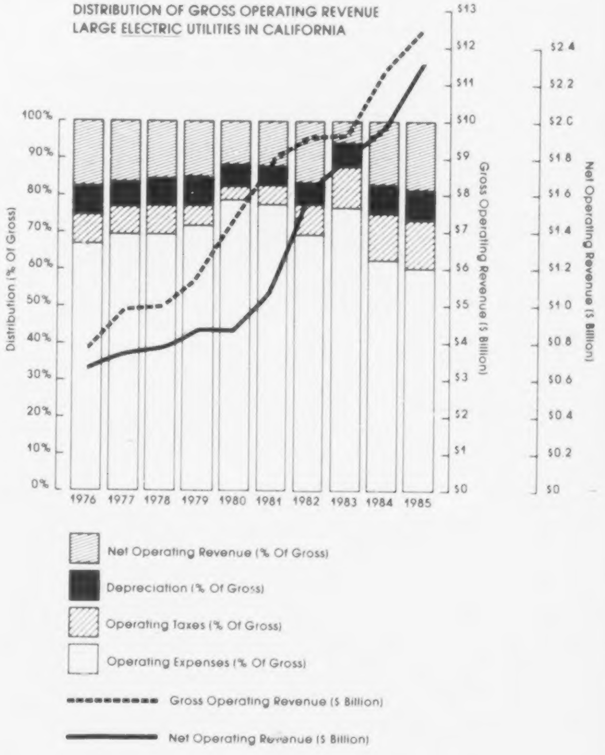
Calculating marginal distribution cost has been a problem because it is hard to separate demand-related and customer-related costs.

The Commission's Public Staff makes its conservative separation of demand and customer-related costs based on:

- the direct assignability of certain costs to customer classes, and
- quantifying marginal customer costs, using a prescribed replacement cost method (described below).

The PUC's Public Staff believes it is important to include customer cost in the revenue allocation in order to reflect significant economies of scale at the distribution level in serving large customer classes. Not reflecting these costs in rates sends the wrong price signals to large customers and encourages them to generate their own electricity, bypassing the utility.

The current revenue allocation tends to result in similar rates to all customers, but the proposed changes will tend to raise residential rates and lower industrial rates.



DISTRIBUTION OF GROSS OPERATING REVENUE
LARGE ELECTRIC UTILITIES IN CALIFORNIA

DIABLO CANYON
NUCLEAR POWER PLANT

Photo courtesy of Pacific Gas & Electric Company

NUCLEAR POWER: CONTINUING THORNY PROBLEM

Diablo Canyon—Hard Case in the Backstretch

May, 1986 marked the second anniversary of the PUC Public Staff Division's Diablo Canyon Study Team.

This small team of engineers, analysts, accountants and attorneys last year neared completing its task of recreating the decisions and events involved in the construction of PG&E's Diablo Canyon Nuclear Power Plant, located near Avila Beach in San Luis Obispo County.

It is one of the Commission's most complex and controversial undertakings: determining what happened and who is to blame for Diablo's being more than ten years overdue and 15 times over budget.

To help it get answers, the PUC has enlisted the aid of expert consultants from around the country. The Commission authorized PG&E to build Unit 1 of the plant in 1967 and in 1969 to add Unit 2.

Both units were to have been producing power by the mid-70's, but a chain of questionable events resulted in a seemingly endless series of modifications that delayed both units, while the construction costs and carrying charges zoomed toward the $6 billion level.

First, the Hosgri earthquake fault three miles offshore, discovered in 1969 and publicized in 1973, required PG&E to redesign portions of the plant to withstand higher seismic forces. Then the Three Mile Island accident in 1979, and the subsequent moratorium on nuclear plant licensing, caused further delay. Next, the shocking disclosure in 1981 that PG&E had based portions of its seismic reanalysis on backward sketches of the reactor containment building (the infamous "mirror-image error") led the NRC to withdraw PG&E's Unit 1 low power test license, issued only one week earlier.

In the ensuing investigation, additional errors were revealed that led to an extensive independent review to restore the NRC's confidence in PG&E's design of the Plant. PG&E finally completed Unit 1 and put it into commercial operation in 1985. Unit 2 followed in early 1986.

The Commission must now determine how much of the delay and cost overrun was due to PG&E's management. Only the costs that PG&E can prove were reasonably and prudently incurred will be considered in setting future electric rates.

By its own estimates, PG&E has about seven million documents, comprising some 100 million pages relating to Diablo—and many others have been lost or discarded. The challenge facing the Diablo Team and its consultants is to sort through remaining documents and piece together the facts that will clarify PG&E's management of Diablo over two decades.

Despite extensive delays and continuing strong resistance to Public Staff Division's requests for PG&E documents and studies, the Commission's Diablo Study Team plans to issue its findings in late 1986 so that hearings can begin sometime during 1987. The proposed schedule is dependent on successful resolution of an important legal issue on evidence.

Interim Rates

In late 1985, the Commission authorized interim rates to allow PG&E to recover part of the operating costs for Unit 1. It is currently considering what interim rates to allow for Unit 2. Both interim rate increases are being collected subject to refund, pending a decision on the reasonableness of Diablo's construction costs.

Performance-based Pricing

In August, 1985 the Commission directed its staff to conduct workshops with PG&E and all interested parties to evaluate alternative ratemaking possibilities for Diablo Canyon. Under so-called "performance-based pricing", PG&E's electric customers would pay rates based on the value of the energy produced by Diablo rather than on what it costs PG&E to generate that energy.

Efforts to settle on suitable electric rates that would equitably allocate the risks and rewards associated with performance-based pricing have been proceeding along with the more traditional ratemaking review of the costs, and PG&E's management of the project. As of mid-1986, the parties involved had not reached agreement on what would be appropriate rate levels.

PG&E Allowed to Recover Cost of Retiring Humboldt Bay Plant

PG&E will be able to recover through electric rates its costs for decommissioning Unit 3 of its defunct Humboldt Bay Nuclear Power Plant. The PUC staff last year continued developing the utility's annual revenue requirement for retiring the unit.

Several steps are necessary before a nuclear plant's ultimate decommissioning (its permanent removal from service). PG&E ratepayers will pay decommissioning costs for the prudently built plant and its shareholders will pay for decommissioning facilities the PUC disallowed for ratemaking purposes.

Steps to permanently retire a nuclear plant are:

- unloading the reactor core,
- storing the spent nuclear fuel on site,
- draining and flushing plant systems,
- decontamination,
- modifying plant systems to render them nonfunctional for the 30-year dormancy period,
- implementing a surveillance and maintenance program, and
- completely dismantling and shipping to approved disposal sites all structures, systems, and components with radioactive contamination above unrestricted levels.

CHANGING ECONOMY SPURS RATEMAKING CHANGES

Attrition Year Rate Relief Must Be Justified

By resolution, the PUC has extended the Test-Year cycle for all major California energy utilities to three years (Resolution ALJ-151). Accordingly, the PUC has invited utilities to file exhibits and prepared testimony to support attrition mechanism proposals for the period between general rate case proceedings. The PUC's staff has recommended that attrition rate increases be just, reasonable and based on evidence provided by the utility that such rate relief is necessary.

The attrition year increase was originally designed as a mechanism to provide utilities' relief during periods of uncontrollable economic conditions, such as high rates of inflation. Such increases may not be justified during more stable periods. Attrition year increases will be adjusted according to conditions existing at the time.

The Commission's staff filed a petition of objection to PG&E's 1985 attrition allowance proposal, since the utility was earning above its authorized rate of return. Excluding earnings attributable to management efficiency or increased

Photo courtesy of Pacific Gas & Electric Company

GEYSERS POWER PLANT

productivity, the PUC ruled that, where a utility is overearning, an adjustment should be considered. It also ruled that ratepayers should share in the benefit of an improved economy and any other uncontrollable factors. The PUC ordered PG&E to refund revenue related to any shortfall in recorded 1985 weighted average rate base. In a generic attrition proceeding, the Commission ruled that rate relief should be structured to reasonably reflect current economic conditions. The PUC directed all major energy utilities to file updated financing plans, cost of embedded debt, and forecasts for new debt, to comply with changed Commission attrition adjustment requirements.

Alternative Ratemaking Approaches and Performance Standards

The Commission's Special Economics Branch last year proposed the Trended Ratebase Approach as an alternate ratemaking method for PG&E's Diablo Canyon Nuclear Power Plant—a major California utility plan addition. The staff also recommended that Target Capacity Factors be adopted for both Diablo units.

Financing Fuel Inventories

Since a 1972 Commission decision, California utilities have received the corporate cost of capital or long-term interest rates returns in compensation for financing their fuel oil inventories. The staff has recommended that, instead, utility fuel oil inventories should be financed with short-term commercial paper, thereby reducing the return on fuel oil inventories from between 14 and 15 to 7.5 percent.

Uranium OII

In its current investigation of Uranium fuel the Commission is looking at alternate methods to finance and manage nuclear fuel inventories.

A related investigation is the Commission's investigation of Edison's costs for San Onofre Nuclear Generating Station (SONGS) Unit 1. The unit underwent a lengthy outage accompanied by costly, NRC-required plant upgrades.

The investigation is to determine whether the unit should be taken out of ratebase for its prolonged outage and the reasonableness of the replacement fuel costs during the outage. Commission economists analyzed continued investments in the SONGS I nuclear unit, and recommended that Edison and SDG&E be allowed to continue safety upgrading at SONGS I within the constraint of an adopted budget.

Also, to insure that ratepayers derive the benefits of projected fuel savings, the staff has proposed a Target Capacity Factor in order not to put ratepayers totally at risk for substandard performance by these utilities.

The State Legislature, in AB 475, ordered the PUC to analyze, verify, and validate utilities' financial planning models. The bill provided several positions solely for this purpose. These studies are now underway.

Geysers 21

In view of the world-wide drop in oil prices, some energy generation projects such as Geysers 21 were re-evaluated to determine whether they are still cost effective, taking into consideration the new low price of oil. The Commission directed its staff to perform a cost effectiveness study on the facility. It was found that, with the current price of oil, Geysers 21 is not cost effective. Here, again, the staff proposed alternative ratemaking, such as Trended Rate Base and Avoided Cost Pricing, as possible remedies.

Palo Verde Nuclear Power Plant

Although Edison owns only 25 percent of the Arizona Palo Verde Nuclear Power Plant, the PUC's objective in ratemaking for this plant is to assure that ratepayer's cost will be commensurate with the service. The staff proposed avoided cost pricing for service rendered from the plant, as an almost sure method of matching cost with service.

Valmy II

When Sierra Pacific's new coal plant, Valmy II, a 250 megawatt-electric conventional coal fired generating unit began commercial operation, for ratemaking purposes, PSD proposed Trended Rate Base and Avoided Cost Pricing for any major future plant additions.

Policy for Fuel Oil Inventories

To achieve policy consistency on excess fuel oil inventory, and to determine what to do when the cost of acquiring the inventory is greater than its current market price, the PUC last year ordered workshops on Excess Fuel Inventory Disposition.

The Commission staff proposed that adopted fuel inventories be "written down" to current market price and no treatment for excess inventory. This, the staff contended, would eliminate the disparity between inventory value and current market price and resolve the issue of how to treat fuel inventory by providing fair and consistent policy.

PG&E's Hazardous Waste Management Program

PSD was responsible for performing in-depth analysis and carefully scrutinizing the Hazardous Waste Management Programs put forth by PG&E. Following intensive research efforts, Public Staff submitted testimony denying PG&E millions of dollars in clean-up money for contaminated sites on the basis of management negligence and oversight. Staff testified that such clean-up costs should rightfully be borne by the utility's stockholders.

Total Compensation Level Evaluation

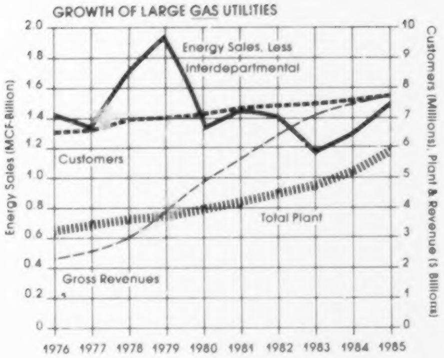
The Commission's Public Staff last year examined the total level of PG&E's employees' compensation, in order to begin a study comparing the average level of California utility employee compensation with that of workers in similar occupations throughout the U.S.

On the basis of the results of the PG&E comparison, the PSD recommended a 10 percent adjustment to the utility's base year level of total compensation. Base year compensation measures the wages, pensions, medical and other non-mandatory contributions to employees' compensation, such as pension, medical and other benefits.

The study of total employee compensation builds upon earlier PUC staff studies of only employees' salary levels for the state's major six utilities. Last year's study reviews total employee compensation across industries nation-wide, and evaluates wage levels by major work category (management, technical, physical and clerical). The results of this analysis form the basis for any recommended adjustment of a utility's revenue requirement. These studies will be routinely introduced in future major general rate proceedings.

Total Factor Productivity

In a PG&E proceeding last year, the PUC's Public Staff Division introduced to the Commission the concept of "Total Factor Productivity" (TFP). A regulated



company achieves a higher level of productivity when its resources are more efficiently used (due to better technology) to generate output and services. TFP can be quantitatively measured (by such economic indices as Divisia index).

TFP's major advantage is that it gives an overall evaluation of a regulated company's efficiency in providing service to its customers.

Though a regulated company may be interested in the performance of discrete elements of its organization (individual employees, equipment and machinery, and other factors), the ratepayers and the company would also benefit if, over and above the performance of these elements, the company could evaluate its overall performance, over time. Knowledge that total factor productivity is declining would signal management that the company as a totality has not been performing up to par, overall, in past years. In general, TFP coupled with an appraisal of individual performance of other resources should give a regulated company insight into how better to provide services to its customers.

The Commission could then determine how the benefits of increased productivity (reduced operating costs) are to be shared between ratepayers and the utility, in the case of a good result, and whether any penalty should be assessed for reduced productivity, when a bad result occurs. The staff analysis and testimony would provide the bases for these decisions.

Performance and Productivity Assessment

The PUC sees reliable and adequate service to all utility customers, at minimum cost levels, as the basic purpose of utility management.

Utility management begins with acquiring basic resources in labor, financial and energy markets, and ends by satisfying the market needs of its own customers—the ratepayers. It is the PUC's mission to decide how well utility managers accomplish this objective.

Evaluating utility performance is becoming more complex as vital parts of the energy and telephone utility business are experiencing intense competition in areas where it never before existed. The Commission, guided by its staffs' recommendations feels that, even in this changed arena, the basic objective still holds: minimize operational costs over the long run and give customers maximum service and quality for the price they pay.

The Commission's staff evaluates and reports to the PUC on utility management performance viewed in the context of these basic standards. The staff has proposed a "report card" on the results of its overview in the performance and productivity areas. This covers, for example, wages, investment, materials, and other factors necessary to provide utility service.

One key measure of management performance is productivity change in a utility's business operation. Utility managers who succeed in keeping down operational costs will, by definition, meet many prescribed performance standards tied to satisfying customer interests.

Controlling costs also meets shareowner interests by enabling the utility to have greater control of price when competing in the marketplace. While cost control is important, it is but a single aspect of the much more effective business strategy which emphasizes "productivity." This is the measure of how the costs of the utility's products, such as energy and telephone services, vary with the costs of the resources the utility uses, (wages, interest, profits, and materials expenses), to bring these products to the marketplace.

Short-Run Avoided Cost of Electricity

In accordance with guidelines in the Public Utilities Regulatory Policy Act (PURPA) of 1978, the PUC has charged its Public Staff with responsibility for proposing electric pricing methods for energy capacity payments to third party producers, or qualifying facilities (QFs).

The Commission has established Standard Offers (SO) for short-run payments (S.O. 1, 2, and 3) and is currently developing a new Standard Offer 4 for long-run payments (A.82-04-044, et al) in Order Instituting Rulemaking No. 2 (OIR 2). Under the current methodology for short-run offers, forecasted energy and capacity payments are established in the utility General Rate Cases and essentially remain in effect for three years. This procedure has the potential for error in payments due to the uncertainty of expected QF development and resource availability. The Commission and its staff recognize the need to refine the short-run methodology to provide more benefits to ratepayers and more accuracy in the payments. The Commission has allowed the possibility of revisions to both capacity and energy price calculations.

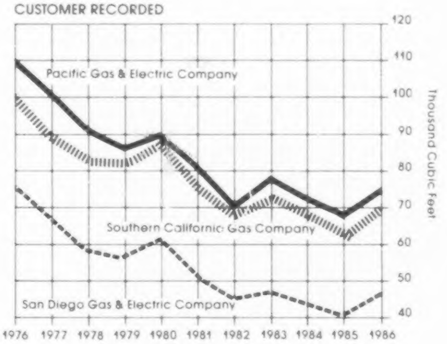
PG&E has proposed Real Time Pricing (RTP) as an alternative method to determine energy payments to QFs. RTP bases energy payments on the utility's recorded incremental costs, rather than forecasted incremental costs. PSD recommended this costing method only on an experimental basis for S.O. 1 and S.O. 3, where QF energy and capacity are offered as-delivered. This proposal will be addressed in the ongoing PG&E ECAC proceedings (A.86-04-012) and further proposals will be allowed in the consolidated OIR 2 proceedings.

Nonlabor Escalation: Phase III

Public Staff Division (PSD) has begun the third phase in the development of cost escalation factors for nonlabor utility purchases.

In general rate case filings, the Commission's Public Staff currently measures the effect of inflation on energy utilities' nonfuel operations and maintenance (O&M) expenses with company-specific nonlabor escalation indexes. The current methodology proceeded through three distinct phases.

MAJOR GAS UTILITIES
RESIDENTIAL GAS SALES/
CUSTOMER RECORDED



Initially, the staff and the energy utilities applied inflation adjustment mechanisms based on aggregate indexes such as the Consumer Price Index (CPI) and the Wholesale Price Index (WPI). In response to the rapid fuel and other price changes of the mid-1970's, the staff developed the energy industry-specific "Modified Producer Price Index" (MPPI). The staff's current efforts involve the development of company-specific indexes of nonlabor escalation.

The principal drawback in using broad-based indexes such as the CPI and WPI for nonlabor escalation is that these aggregate price indexes do not reflect the goods and services utilities buy. Both major indexes are heavily weighted for fuel, food, and other consumer related items.

The MPPI was developed to correct this defect of broad inflation indexes.

Non-utility and fuel sub-indexes were excluded. Fuels were specifically removed, since the cost of fuel is considered in Commission offset proceedings. The new total was re-weighted to 100 percent and reviewed and approved by staff engineers. The MPPI is a composite index of a Wholesale Price Index and a CPI weighted 5 percent for indirect labor expenditures.

The weighting scheme utilized by the MPPI was adopted from the Bureau of Labor Statistics. Those weights are periodically updated to reflect relative price changes. A major weakness of the MPPI is that the weighting scheme is not utility-specific.

Public Staff currently gauges the effect of inflation on energy utilities' O&M expenses by deriving a weighting scheme with FERC account level data. These FERC level weights are then coupled with forecasts of various WPI's from Data Resources Incorporated (DRI) to form company-specific measures of inflation. Moreover, the Commission's Public Staff is currently engaged in developing company-specific nonlabor escalation indexes for telecommunications in California. These indexes are applied in all major general rate and attrition proceedings to develop the staff's test year estimates for utility purchases and construction costs.

DEMAND-SIDE MANAGEMENT AND SYSTEM MODELING

Demand Side Management

Demand-side management (DSM) includes load research, service planning and marketing, in addition to conservation and load management.

PG&E ZIP, RCS, and General Rate Case Proceedings

The Commission's Public Staff evaluated PG&E's DSM programs in two separate proceedings: in the fall 1985 proceeding and the test year 1987 general rate case. Hearings were held during the summer of 1986 and a Commission decision is expected in December 1986.

The fall 1985 proceeding established 1986 funding levels for PG&E's Residential Conservation Service (RCS) audit program, the Zero Interest Program (ZIP) for weatherization financing, a cashback rebate program, and a Direct Weatherization (DW) program for "target" (low-income, elderly, and non-English speaking) customers. The ZIP and cashback programs were scheduled to end during 1986. Replacement programs are to be evaluated in the 1987 general rate case. The Commission decision instructed PG&E to terminate the cashback program when payments reached the authorized budget limit. This limit was reached in early 1986 and PG&E ended the program.

Hearings on PG&E's proposed DSM budgets for 1987, 1988 and 1989 were held during May 1986. The PUC's Public Staff determined that few of PG&E's proposed DSM programs are likely to be cost-effective, mainly due to falling oil and gas prices and to current overcapacity in electricity generation. This led to the staff's recommendation that it was time to move from a "stay the course" policy in funding DSM programs. The alternative is to substantially cut programs whose non cost-effectiveness is not counterbalanced by their abilities to meet equity goals or to provide experimental data important enough to justify their continuation. For equity reasons, the PUC's Public Staff recommended that PG&E's programs to weatherize the homes of target customers be funded at the full amount requested by PG&E.

The reasoning underpinning the Public Staff's recommendations is that:

- DSM is useful in giving individual customers greater control over their bills,
- DSM programs are a hedge against future demand and fuel price uncertainty, and
- maintaining the utility framework for these programs preserves the option of quickly expanding programs with short lead times, if the need arises.

The staff has recommended that steps be taken to enable evaluation of DSM on a more equal basis with supply-side options. The staff has determined that measurement of C&LM savings, in particular, are too "soft" to allow at this time, and that emphasis should be placed on refinement of analysis techniques and results.

The PUC's Public Staff and PG&E reached a stipulation to fund DSM programs at a level of $117 million for 1987 and $109 million during 1988 and 1989, respectively. (These amounts are in 1984 dollars. Inflation adjustments will be added later.) This compares to PG&E's request of $160 million and the Public Staff's earlier recommendation of $111 million for each of the three years. Other parties, notably insulation contractors, local governments, and low-income groups, have requested funding levels above those in the stipulation for weatherization and time-of-use programs. The Commission will issue a decision in December 1986.

PP&L General Rate Case

The PUC's Public Staff is preparing testimony on (PP&L) Company's DSM programs to be included in the utility's pending general rate case. Testimony will be filed in August 1986.

Refinement of Cost-Effectiveness Methods

The Commission's Public Staff is working with the California Energy Commission (CEC) staff and other parties to refine the methodology used by both agencies and California utilities to evaluate the cost-effectiveness of DSM programs. Workshops are planned for the fall of 1986. Results are to be implemented in the upcoming general rate cases for Southern California Edison Company and Southern California Gas Company.

Structural Changes in Electric Market

The structure of the electric generation market is changing because of, among other things:

- the rapid development of cogeneration and other nonutility power producers,
- the fact that electric marginal costs are significantly less than utilities' average costs.

The PUC's Public Staff is monitoring developments in this area to determine what regulatory responses are appropriate.

PG&E expanded the scope of DSM in its rate case to include a marketing program aimed at retaining major electric and gas customers on the system and increasing gas and off-peak electric sales. The PUC's Public Staff holds that PG&E needs flexibility to deal with the changing energy marketplace. Net benefits will accrue to other customers if a careful effort is made to retain existing customers, and recapture customers that have already left the system. However, until market trends are clearer, the staff recommends cautious funding of this dramatic departure from the recent emphasis on conservation.

System Modeling

AB 475 requires the Commission's Public Staff to evaluate computer models the utilities and other parties use in PUC proceedings. Staff is validating the generation production cost models used by the utilities and the Commission's Public Staff against historical-year operations and comparing them with each other, in order to verify the models' accuracy. Hopefully, this will have the effect, in proceedings, of putting the emphasis on the soundness of assumptions and participants' contributions, rather than on relitigating the reliability of the computer models used by various parties. The Public Staff must report the outcome of this study to the legislature by the end of 1986.

Long-run Value of QFs

The Commission's Public Staff uses its production cost model to determine what utility investments can be avoided or delayed because of the construction of non-utility generation capacity. The staff testified on this subject in the

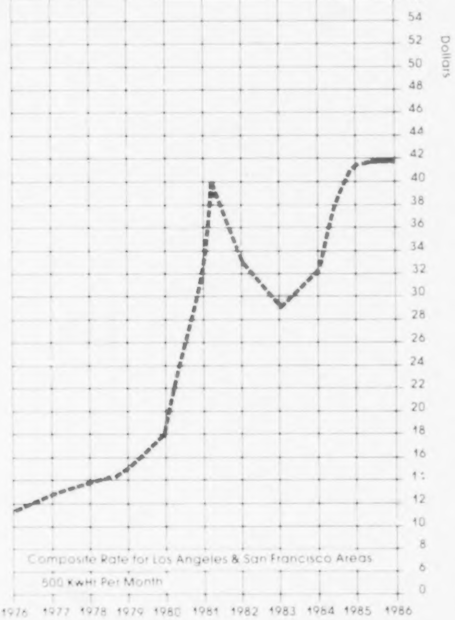
OIR-2 long-run proceedings. PSD presented testimony on this subject in the OIR-2 long-run proceedings, and will evaluate the utilities' responses to the recent Phase II decision as part of the compliance phase.

Marginal Costs in PG&E General Rate Case

In PG&E's general rate case, the production cost model was also used to predict PG&E's marginal and average fuel costs for twenty years. These results were used to:

- evaluate the cost-effectiveness of PG&E's DSM program, and
- allocate revenue and design rates, both of which are based on marginal costs incurred by various customer classes.

TREND OF MONTHLY BILLS
FOR RESIDENTIAL ELECTRIC SERVICE
1976 THRU JUNE 1986



Ratemaking Treatment of Diablo Canyon

The Public Staff is exploring with PG&E, the Attorney General's office, and other interested parties, the possibility of basing ratepayers' payments for Diablo Canyon on how well it performs rather than on traditional ratebase treatment. Under such a performance-based pricing approach, the revenue level would be tied directly to the plant's performance: if it does not operate, PG&E would be compensated for little or none of its costs.

In addition to this operation risk, PG&E would also bear the risks of future costs associated with decommissioning and with any future modifications which may be needed at the nuclear plant. The Public Staff believes that this shifting of risks, which ratepayers have traditionally borne, to the utility would be in the ratepayers' best interests and would provide them significant protection, if acceptable terms could be obtained.

Alternative Generation Industry Matures

Standard Offers

The PUC's efforts in 1984–85 to encourage development of alternative generation resources caused growth in the number of small power producers that signed contracts with energy utilities.

A major factor contributing to this growth was the adoption of standard offer No. 4 (SO4) on an interim basis pending development of the final version. This was a long-run standard offer that guaranteed capacity and energy prices for Qualifying Facilities (Cogenerators and Small Power Producers-QFs) and made it possible for them to obtain financing. Because it was an interim offer, however, it had no provisions for updating to recognize changed conditions. When the amount of capacity under this standard offer grew much faster than expected and it appeared that a final version would not be available for some time, the Commission reluctantly suspended the interim offer in April, 1985.

In July 1985, the Commission decided to continue the suspension of SO4 until the final version became available. It made more sense to focus on the final standard offer than to waste time trying to fix up the interim version. After the suspension of Interim Standard Offer 4, new QFs continued to sign contracts with utilities. By the end of the year, 1,200 projects totaling 15,673 MW were under contract. Of these, 607 projects totaling 3,033 MW were on line.

Almost one year after suspending SO4, the Commission in March, 1985 suspended SO2. This standard offer provided QFs fixed capacity prices for up to 30 years but its provisions did not recognize that, as the amount of utilities' excess capacity grows, the value of new QF capacity declines.

The Commission will reinstate SO2 after it has developed a suitable adjustment factor for capacity price. In July, 1985 the Commission signed the decision ending Phase I of the proceeding to develop a final SO4. This decision adopted a methodology for determining long-run avoided cost. In Phase II this methodology was to be translated into an actual standard offer contract.

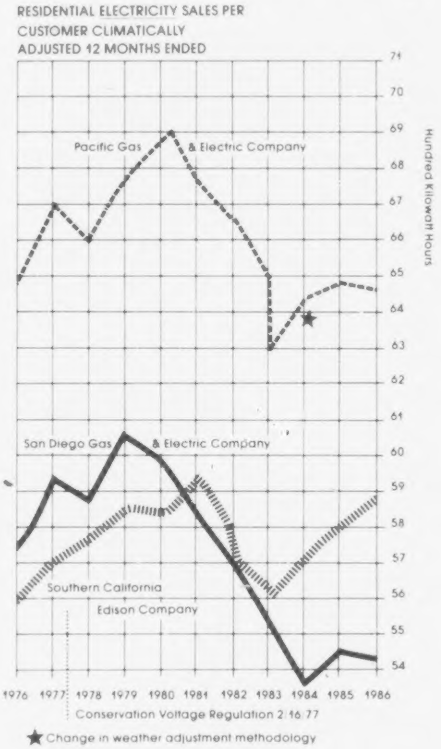
From October, 1985 until March, 1986 five weeks of workshops and seven weeks of hearings were held in Phase II. By the end of June, a decision outlining the final SO4 was on the Commission's agenda. The next step will be for utilities to file draft SO4s based on that decision and then compliance hearings will be held.

The Commission closed its investigation of transmission constraints caused by QF construction, concluding that QFs should be responsible only for transmission upgrades that are dedicated to QF's use. Most other transmission lines have other system benefits and are a legitimate expense for ratepayers. In a series of quarterly reviews, the Commission continued to refine the Qualifying Facility Milestone Procedure (QFMP). This had been adopted during the investigation as a tool to help resource planners assess QF potential. In December, the QFMP was integrated into the standard offers so that meeting the milestones is now a condition for maintaining a power purchase agreement.

Another issue that arose during the transmission investigation was that of QFs who deliver power to a utility from outside its service territory, or from another state. Hearings are scheduled for November, 1986 to determine what is the avoided cost for such QFs and whether any special contract terms are required to protect ratepayers.

Effect of Low Fuel Prices

The OPEC action reducing the cost of imported oil dramatically cut utilities' short-run avoided cost and saddled QFs with floating prices tied to the price of gas. Cogenerators who use gas were sheltered from this effect by the corresponding drop in the price of their fuel. However, QFs on floating prices who did not burn gas suffered. Most of these QFs were pioneers in the industry who had signed contracts before SO4 became available. They faced revenue cuts that would eventually force many


RESIDENTIAL ELECTRICITY SALES PER CUSTOMER CLIMATICALLY ADJUSTED 12 MONTHS ENDED

to stop production. They sought relief from the legislature but the PUC's Public Staff offered to try to find a solution.

UTILITY FINANCING IN AN UPBEAT ECONOMY

Financing High-coupon Bonds

As utilities continue to take advantage of the prevailing levels of interest rates, the volume of corporate bond offerings increased greatly. Refinancing of high-coupon debt and outstanding floating rate issues contributed mainly to the influx of bond offerings.

During the past fiscal year, approximately 175 utility bond issues were sold, carrying coupon rates ranging from 7.30 to 13.25 percent. Proceeds from the bond issues were used to meet ongoing capital requirements and refund high-coupon debt obligations. In addition, short-term variable rate issues were replaced and locked in with long-term fixed rate debt.

Among California utilities, PG&E, Edison and Pacific Bell issued new debt to call back outstanding issues with high interest rates. High-coupon bonds—with interest rates as high as 17 percent—were replaced with new issues ranging from 8.5 to 11.5 percent.

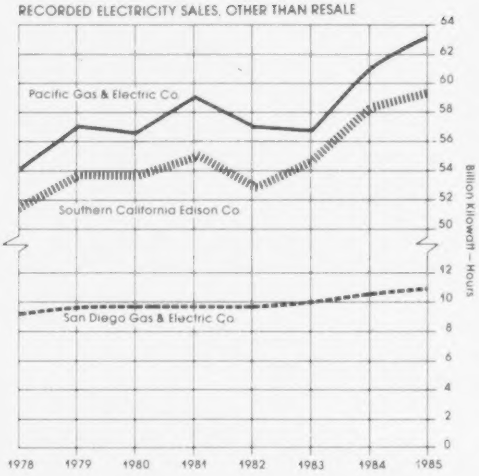
Cost-savings from the lower cost debt issues will be passed on to ratepayers. Also, interest coverages should improve and support bond ratings.

Reduced Common Stock Equity Allowances

The economic stability of the late 70's and early 80's produced double-digit inflation. This pushed the discount rate and the prime rate to unprecedented levels of 14 and 20 percent, respectively. Rising costs for necessary plant construction created heavy and costly financing demands. Because they had to sell additional stocks at depressed market prices, utilities' earnings were under pressure, further diluting stockholder returns.

It is axiomatic that earnings must be sufficient to attract capital at competitive rates. This enables utilities to provide efficient service to consumers at the most favorable rates possible under existing conditions. Accordingly, the PUC periodically increased authorized rates of return to reflect both the higher cost of senior securities and the greater risks common stockholders confronted in an inflationary environment.

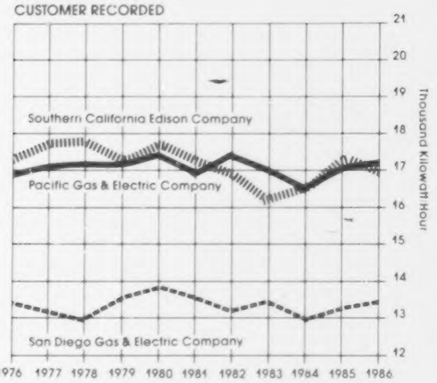
MAJOR ELECTRIC UTILITIES
RECORDED ELECTRICITY SALES, OTHER THAN RESALE



Improving business conditions in the last half of 1982 and a strong upward trend in most sectors of the economy continued through the past fiscal year. Inflation subsided and the stock market reached new highs. At present, the Federal Reserve Discount Rate stands at 6.5 percent. The prime lending level rate at commercial banks is now 8.5 percent— lowest since 1978. California utility stockholders have seen the market prices of their stock exceed book value, and have seized opportunities to refund expensive senior securities with lower cost money.

These events caused the Commission to reduce allowances for common stock equity during the past fiscal year to reflect the dramatic overall improvement in economic and market conditions. The omission reduced previously-authorized allowances from 25 to 100 basis points.

MAJOR ELECTRIC UTILITIES
AVERAGE ELECTRIC SALES
CUSTOMER RECORDED



Conservation

California's eight investor-owned utilities spent $379 million on energy conservation and load management programs in 1985. Estimates put the savings in electricity and natural gas at 2.6 billion kWh and 298 million therms, respectively, and reduced electric demand by 615 MW.

Some conservation programs have become non cost-effective for non-participating ratepayers because of current energy prices and the availability of natural gas. Therefore, those programs that conserve only natural gas or off-peak electricity may be cut back in the near term. But from a long-term point of view, all conservation programs are considered viable options in the utilities' least-cost energy strategies.

Investor-owned energy utilities originally conducted residential energy audits and provided conservation awareness information. Low and zero interest financing of conservation measures helped to expand conservation programs.

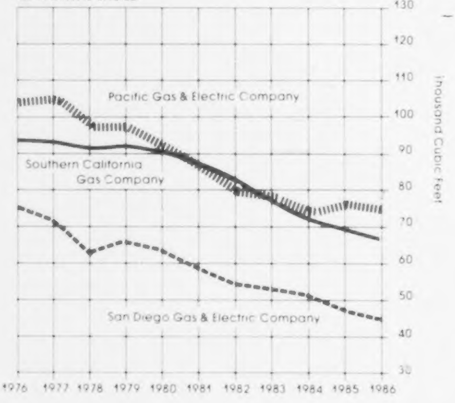
More than a million residences were retrofitted with attic insulation by the end of 1985 through utility financing assistance mandated by the PUC. During the same period, utilities conducted over 600,000 commercial-industrial energy audits and over 43,000 agricultural surveys and pump tests.

RESIDENTIAL CONSERVATION FINANCING

Due to funding limitations, Pacific Gas & Electric Company terminated its "Cashback" rebate program on January 20, 1986. The Zero Interest Plan "ZIP" loan program, however, will continue through the year 1986. Beyond 1986, programs will be based on the outcome of the current general rate case, which emphasizes home builder conservation and appliance efficiency. The free direct weatherization program for low-income customers will continue beyond 1986.

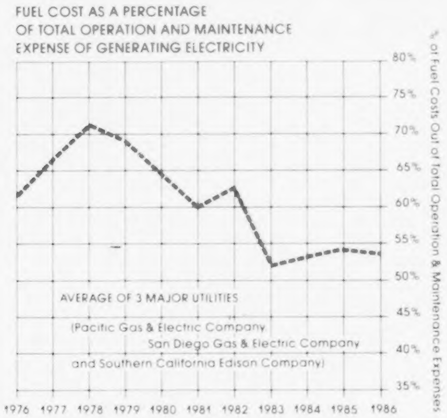
Southern California Gas Company was granted a combined budget of $120 million for 1985–86 by the Commission in Decision 85-10-053 on October 17, 1985, for its energy conservation programs. The authorized budget for the single-family portion of the program was spent by the fall of 1985. Therefore, the single-family program was terminated on October 28, 1985. The decision also required that expenditures not exceed $120 million for two years or $60 million per year for its overall program activity. Notices were issued that no new contracts for multi-family or mobile home rebates will be accepted after March 31, 1986, and that

RESIDENTIAL GAS SALES PER CUSTOMER
CLIMATICALLY ADJUSTED
12 MONTHS ENDED



work on these dwellings must be completed by June 30, 1986. All remaining funds as of July 1, 1986, will be allocated to its low-income direct weatherization programs. The utility is expected to file in early August for additional funding for its weatherization programs.

In an effort to improve safety workmanship, the Commission asked all eight investor-owned utilities to perform 100% inspection for all weatherization measures performed under their programs.



LOW-INCOME PROGRAMS TO GO TO 1990

This Commission has mandated that the eight energy utilities implement low-income weatherization assistance programs that provide cost-free home or dwelling unit weatherization to low-income homeowners and tenants. This program has resulted in the weatherization of 221,571 dwelling units since its beginning in the fall of 1982 through the year 1985. Expenditures for 1985 totalled $45 million and resulted in 121,000 weatherized units. This level of activity is expected to continue for several years into the future as evidenced by needs set forth in a recent weatherization study conducted by this Commission through the four major utilities and by SCR 89 authored by Senator Rosenthal which requests that the Commission continue these low-income programs at least through 1990.

THE LOW-INCOME WEATHERIZATION PROGRAM ENDS

After a period of some four years the low-income loan buyback program is nearing a close. Since its inception, the three major utilities (San Diego Gas & Electric Company, Southern California Gas Company, and Pacific Gas & Electric Company) have paid $1,140,464 to low-income customers to buyback 1,351 loans for an average cost of $844 per loan.

Weatherization at no direct cost for low-income customers of utilities has been available in California since January 1982. In the late summer of 1983, it became apparent that some customers were paying for conservation measures when they qualified for the no-cost direct weatherization program. In some cases, unscrupulous contractors were deliberately signing contracts with low-income clients who were unaware of the no-cost programs available to them. There were also a small number of cases where some of these contractors then sold the contracts to financial institutions or private lenders but never performed the work. Many low-income customers defaulted on their loan contracts. The Commission authorized funding to the three utilities to buy-out the remaining loans from the eligible loan holders.

The low-income loan buyout by the three utilities in California is nearing its end. What has been a problem is now mostly a thing of the past. The utilities are all closely monitoring potential borrowers to assure that low-income persons are provided no-cost weatherization services. Further problems of any significance are not anticipated.

SATURATION SURVEY ON WEATHERIZED DWELLING UNITS

A statewide saturation survey on weatherized dwelling units was conducted in the spring of 1985 by the four larger utilities: San Diego Gas & Electric Company, Pacific Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company. The results of the survey indicated, among other data, that out of 9,732,000 dwelling units in California 1,022,000 dwelling units are still uninsulated and another 982,000 dwelling units are underinsulated. These dwelling units are among those which have adequate attic space and can readily be insulated. Single family dwelling units account for approximately 73% of all dwelling units in California.

PG&E'S "ENERGY DOCTOR" PROGRAM

Approval has been given to Pacific Gas & Electric Company (PG&E) to begin an on-the-spot home energy survey in the summer of 1986 in Santa Cruz, California. Additionally a choice of several conservation items will be given free to the home's occupants. The program is named The "Energy Doctor" and will be managed under contract with DMC Company of Boston. The cost of the program is about $500,000 funded from PG&E's discretionary funds.

RATE INCREASES TO OFFSET SOLAR COSTS

San Diego Gas and Electric was authorized in Decision 85-12-108, dated December 20, 1985 in Application 84-12-015, $1,124,000 to fund its participation in the Solar Program for the Calendar Year 1986. The utility was disallowed $61,000 from its sought increase, based upon the staff's recommendation that solar advertising and seminar expenses should be reduced. The authorized funding is for meeting the existing solar rebate program commitments only.

Southern California Gas Company (SoCal Gas) in turn was authorized $15,296,000 and $14,021,000 for 1985 and 1986, respectively, as a reasonable level of SoCal Gas' solar expenditures for the two-year period. These increases were granted in Decision 85-10-053, dated October 10, 1985, in Application 85-02-071. In the aforesaid decision, the utility was encouraged to reduce its 1986 solar expenses by consolidating the operating functions of its solar center with the administrative functions of the program.

The California Solar Energy Industries Association (CAL SEIA), a solar trade organization headquartered in Sacramento, initiated a toll free solar information service for calendar year 1986. This service is available to all interested California residents. The service is being partially supported by the four utilities participating in the Demonstration Solar Financing Program in California namely; Pacific Gas and Electric Company, San Diego Gas and Electric Company, Southern California Edison Company, and Southern California Gas Company. We believe these utilities will be able to save time and money by referring all solar technical inquiries to CAL SEIA for proper and prompt disposition.

DEMONSTRATION PROGRAM PRODUCES 270,000 SOLAR UNITS

The California Public Utilities Commission's Demonstration Solar Financing Program was implemented by Decision 92251, dated September 16, 1980, in OII-42 subsequent to California Legislature hearings on energy conservation matters. This decision authorized the four major investor-owned utilities, namely: Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, and Southern California Gas companies to participate in this unique solar program.

The demonstration program as originally authorized was to conclude on

September 15, 1983. However, the California Legislature in the summer of 1983 enacted special legislation and Governor Deukmejian signed it into law (AB 1942), which directed the Commission to extend the multi-family phase of the program for one additional year. Subsequently, on September 30, 1983, the Commission signed an order (Decision 83-09-076) extending this phase of the program until September 15, 1984. Because of the problems with inspection by PG&E and SoCal Gas as well as by municipals and local authorities, a modest amount of additional time was granted to these utilities to complete their work.

The Solar Financing Demonstration Program, OII-42, finally was concluded on April 15, 1985. This rebate program resulted in the installation of approximately 284,000 single and multi-family solar units serving customers in the four utility companies' service territories. Total program costs for the four-year program, as of March 31, 1986, were approximately $160,400,000.

Set forth below are the authorized goals and the achievements of the program in statistical form. It should be pointed out that SoCal Gas was the sole participant offering a single family loan program, while SoCal Edison participated only in the single family electric rebate phase and did not offer any incentives for multi-family dwellings. All four utilities were participants in the low-income grant phase of the program, which was very successful.

LARGE SAVINGS FROM CIA PROGRAMS

The eight energy utilities spent $82 million on conservation programs designed for their commercial, industrial and agricultural (CIA) customers during 1985 resulting in energy savings estimated at 2.2 billion kilowatt-hours of electricity and 59 million therms of natural gas. In addition these programs were estimated to reduce peak demand by 396 kW.

CIA conservation activities include audit and informational services as well as hardware incentive programs. Approximately 62,000 commercial and industrial customers received audits, nearly 20,000 non-residential rebates were issued, and 13,700 agricultural pump tests were conducted in 1985.

2.8 BILLION kWh SAVINGS FROM VOLTAGE REGULATION PROGRAM

The Conservation Voltage Regulation (CVR) energy conservation program maintains customer service voltages on residential and commercial distribution circuits as low as possible in the range from 114 to 120 volts instead of permitting service voltages of up to 126 volts. This program continues each year to provide electrical energy savings now approaching 2.8 billion kWh annually. New voltage control equipment is being installed to further augment these energy savings. The CVR operation also has associated peak load reduction benefits in excess of 140 MW. At the same time the CVR voltage surveillance program overseen by Commission staff engineers, seeks to minimize reduction of these energy conservation savings by voltage creep upwards, on the one hand, and inadequate service by excessive voltage drops, on the other.

SOLAR FINANCING DEMONSTRATION PROGRAM

Items	*Goals*	*Actual*	*Percentage of Goals Achieved (%)*	*Actual Expenses ($ Millions)*
	(No. of Units)			
Single Family-Electric	70,940	21,410	30.2	$ 14.7
Single Family-Gas *	36,533	32,133	88.0	60.0
Multi-Family	264,724	222,962	84.2	45.3
Low-Income Grants	8,276	8,142	98.4	6.2
Administration	–	–	–	34.2
Totals	380,473	284,647	74.8%	$160.4

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* Includes 9,310 SoCal Gas customers who received loans.

The utilities continue to improve their electric distribution system whenever and wherever this is a cost-effective energy conservation and load management option. Such projects, generally termed DCM (distribution circuit management), are often included in the utilities' normal operating and maintenance budgets, or have their own budgets if they are large distinct operations.

STREETLIGHT CONVERSION ABOUT COMPLETED

The third principal electrical system conservation program, the Streetlight Conversion (SLC) program is now essentially completed. This program conducted over the years from 1977–85, resulted in the conversion of a total of 617,000 utility-owned lights from mercury vapor and incandescent lighting to the more efficient high pressure sodium vapor lamps. The resulting energy savings from the 617,000 conversions are 350 million kWh or more than 580,000 equivalent barrels of oil each year. At a total cost of $86 million, this equated to a one-time annual cost of 25 cents per kWh. Therefore at a nominal fuel and operations maintenance cost savings benefit of 5 cents per kWh, the program has a simple payback period of 5 years and can already be considered as having paid for itself. Furthermore, the energy savings benefit will continue to accrue year after year without any other added expenses. Normal lamp maintenance expenses will be similar to those of unconverted luminaries.

MAJOR LOAD MANAGEMENT PROJECTS 1985–1986

Load Management is the planning and control of a utility's electric load shape for the purposes of making more efficient use of current energy resources, increasing the load factor and alleviating the need to construct new generating facilities. Three basic types of load management programs used are Time-of-Use Rate programs, Interruptible/Curtailable programs and Direct Control programs. In addition, there are certain load management programs such as Off-Peak Cooling, that are classified as Other programs. In 1985–1986, California's Electric Utilities achieved a cumulative load reduction of over 760 MW.

New Time-of-Use Meter

The Load Management staff of the Commission has been working closely with the utilities to develop new innovative hardware to advance the capabilities of load management programs. For example, Decision 84-12-068 authorized Southern California Edison (Edison) to spend $1,000,000 to develop a solid state watthour meter. This meter will be the basis on which to build more sophisticated features such as time-of-use measurement or remote meter reading capabilities.

Edison has contracted Robinton Products of Sunnyvale to develop this meter. The first 10 prototypes will be delivered in December 1986. Edison will begin rigorous testing of 2,500 units in June 1987 and the testing will continue through December 1989. If this solid state meter proves to be reliable, its benefits to load management will be unlimited.

Two New Experiments

During the 1986 summer season, Pacific Gas and Electric and Southern California Edison will perform two new experiments at staff's request, an optimizing thermostat experiment and a pre-cooling experiment. An optimizing thermostat is a device which will sense when an air conditioning unit is approaching its equilibrium temperature and automatically raises the unit's thermostat so it will cycle rather than run continuously. Robertshaw Controls of Richmond, Virginia has been contracted to develop the optimizing thermostat. It is hoped that this type of device will replace the air conditioner cyclers and eliminate the need for direct utility control of cycling.

Pre-cooling will also be demonstrated in 1986. Pre-cooling is the introduction of cool night air to residences to decrease the daytime air conditioning load. Staff is working with the utilities to devise a method of automatically introducing cool air while the occupants sleep.

Advances in Gas-Fired Air Conditioning Technology

San Diego Gas and Electric (SDG&E) has been promoting the use of gas-fired air conditioning at its new Convention Center. Gas air conditioning technology has advanced as a result of widespread use in Japan. The benefits of using this type of system are twofold to the utility, the electric peak is reduced and the gas valley is filled. Installing gas air conditioning at the San Diego Convention Center will prevent an addition of 3.0 megawatts to SDG&E's summer electric peak. SDG&E was authorized by Resolution G-2665 to offer $450,000 as an incentive to the Convention Center to offset the higher installed cost of this system.

PILOT LIGHT TURNOFF PROGRAM

During 1985, the gas furnace pilot light turn-off programs implemented by five separate utility companies resulted in summer turn-offs of over 3,580,000 gas furnace pilot lights. Out of a total of 3.6 million pilot lights, 2.1 million were in Southern California Gas Company's territory and 1.1 million were customers of Pacific Gas and Electric Company. San Diego Gas & Electric Company had approximately 32,000 turn-offs while Southwest Gas Corporation and C P National accounted for 20,188 and 1,103 turn-offs respectively; and these figures are very conservatively developed.

Total energy savings for all pilot light turn-offs throughout California amounted to 112,953,000 therms of gas or an equivalent energy savings of 1,882,000 barrels of oil. This savings averages out to approximately 32 therms of gas saved by each customer utilizing the gas furnace pilot light turn-off program for a potential savings of between $13.00 and $25.00 per customer, depending upon location and length of summer turn-off period. Total utility expenses for conducting this program amounted to $1,105,800 or an average cost of about 31¢ per pilot light turned off.

SERVICE AND SAFETY

Electric Safety Program

The Commission has safety jurisdiction over all electric and communication overhead and underground conductor facilities in the state.

The PUC must enforce safety regulations and inspect line facilities to make sure utilities comply with required standards. It must also add to or change, as necessary, rules that promote the safety of utility employees and the general public.

California has the nation's largest electric and communication system. There are approximately 500,000 miles of overhead and underground lines with more than 9 million electric, 11 million telephone, and 3.2 million cable TV services.

Therefore, it is important to achieve a dependable routine of inspections and surveillance to make sure that these systems are designed, built, operated and maintained properly, in accordance with the regulations. This is especially important where systems are aging.

The PUC's Safety Staff conducts statewide inspections of utilities' transmission and distribution systems. It also monitors and investigates selected electric accidents. During the past fiscal year, corrective actions by utilities were required after PUC staff inspections identified 23,000 safety standard infractions.

Line Safety Standards Changes

The Commission's work revising General Orders governing line safety standards continued during the year. These General Orders prescribe construction standards for overhead and underground electric and communication utilities.

Rule change proposals made either by the Commission staff, utilities and other interested parties reflect field work experience by inspectors, or technological advances in design, materials, or operating procedures.

The Commission last year conducted a series of workshops to review all such rule change proposals. These workshops involved participation and assistance from the state's major electric and telephone utility companies—both public and privately owned—the California Cable TV Association, and associated electric and communication unions. Most of the proposals submitted are undergoing final review before approval.

Intensified Effort to Remove Hazardous PCB Equipment

California's utilities continue to be ahead of the Federal Environmental Protection Agency (EPA) schedule for phasing out and removing polychlorinated biphenyls (PCB) capacitors from their electric distribution systems. EPA guidelines call for completion of PCB capacitor phase-out by October 1, 1988.

Most of California's major utilities have replaced all electric distribution PCB capacitors. The few remaining utilities expect to do so by the end of 1987.

PG&E has replaced all capacitors and transformers throughout its electric distribution system—including its underground network system in the Oakland and San Francisco areas. This PG&E project was completed in March 1986, almost 20 months ahead of schedule and below its $65 million budget.

EPA has recently issued new rules ordering removal by October 1, 1990 of high secondary voltage PCB transformers used in or near commercial buildings.

Electric Line Safety Standards for Light Rail Systems

Light rail systems continue to serve California communities. Systems now being built will complement others, such as the new San Diego system which has operated successfully for two years. The cities of Sacramento, San Jose, Long Beach and Los Angeles will be served by electric-powered trolley systems. Sacramento's system is to begin operation in January 1987.

The Commission must assure that the building standards for overhead electric line systems for California rapid transit agencies meet minimum requirements of Commission General Orders. These important rail commute systems add to the Commission's inspection obligations.

Outages Caused by Winter Storms

A mid-February 1986 winter storm, one of the worst this century, lasted an entire week. Rain totaled up to 25 inches. Winds swept from 70 to 80 miles per hour, battering the northern two-thirds of the state.

Storm-related interruptions of electric power to utility customers were widespread and repeated, due to wind-downed lines as well as precautionary shut-downs of whole communities due to river floodings. Some 900,000 utility customers were affected. PG&E paid $7.5 million to repair storm-caused damage and to restore service. Edison paid $1 million and Sierra Pacific paid $300,000. Hardest hit by outages were electric (and gas) customers in the Tahoe Basin, and along the Napa and Russian Rivers, which both flooded to historic levels.

Undergrounding Electric Lines

The Commission continued to encourage California's electric utilities to replace existing overhead electric power lines with underground facilities. Since a September 1967 PUC decision, utilities have been systematically converting their overhead electric distribution systems, and some transmission lines to underground. This improves safety, reliability and the environment.

In 1985 the three major utilities—PG&E, Edison and SDG&E—allocated $75 million for this program. In 1986, the conversion program budget is about $81 million.

Improvements in Electric System Reliability

Certain electric parts, such as underground system conductors and elbows, have continued to fail, affecting service reliability in some parts of utilities' service areas. Renovation projects to improve service are now underway in Fresno, Stockton, San Ramon, San Jose and Bakersfield.

The Bakersfield project involved major system improvements in the southwest of the city. It was recently completed and service quality and reliability have improved substantially. Research and development in manufacturing better quality cables and other parts have advanced over recent years, resulting in better electric system reliability.

Electric Meter Testing Program

California's five largest investor-owned electric utilities had 8.4 million meters in service at the end of 1985, of which 443,000 or 5.3 percent were tested for accuracy. Field tests of meters in service account for over half the total tested. The 264,700 field tests indicate that 93 percent of all meters tested were within the two percent accuracy prescribed by the Commission. In 1985 electric utilities refunded to customers $264,700 and backbilled $3.8 million for inaccurate meters. Larger utilities are studying the use of remote electric meter reading for economy and reliability. Research and development in solid state electric meters is being conducted by utilities and manufacturers.

Gas Measurement Program Saves Ratepayers Millions

California's largest gas utilities saved $15 million under the Commission's statistical meter removal programs. These programs are in lieu of the 10-year change-out program used for smaller gas utilities.

These utilities refunded $370,000 to customers for fast metering and back-billed them $1.8 million for slow metering. They also tested over 500,000 meters to Commission standards, or 6.9 percent of the 7.9 million meters in service.

Transfer of Authority Over Six Pipeline Companies

To streamline its operations, the PUC's service and safety staff in May last year transferred six public utility pipeline companies to the Commission's Evaluation and Compliance and Public Staff Divisions. This move aligns oil pipelines with natural gas pipelines. The six companies are Calnev, Four Corners, San Diego, Southern Pacific, Standard and Vallecitos. These companies transmit, store, distribute or deliver crude oil or other fluids—except water.

In a related case, the PUC asserted jurisdiction over Standard Pacific Gas Line, Inc. (Stanpac) in December last year. Stanpac moves natural gas to the San Francisco Bay Area to service major oil refineries. This PUC action added 185 miles of 24-inch diameter high pressure transmission line to the Commission's responsibilities in rates and safety. The pipeline system extends from Kettleman Hills in the south, to Rio Vista in the north.

Gas Pipeline Safety

PG&E

The Commission's Service and Safety Staff, testifying in PG&E's 1986 rate case on the condition of PG&E's gas pipeline system, called for a three-point program to improve safety. The staff contends:

- that the utility's 20-year pipeline replacement program should be shortened to 15 years,
- that PG&E management should be assigned responsibility for gas safety,
- that PG&E should reduce the rate of gas leaks.

SoCal Gas

In 1984, the Commission ordered Southern California Gas Co. to strengthen the safety of its gas operation. Ten specific safety points were mandated. They included hiring six safety engineers and safety training for pipeline contractors. During 1985 the Commission staff continued to monitor SoCal's operations.

Late in 1985, the staffs of the utility and the Commission developed a Reportable Incident Measuring System to measure the utility's safety efforts. This system will demonstrate the successful (or unsuccessful) control of SoCal's gas incidents.

Telecommunications

REGULATION AFTER DIVESTITURE

PUC's Post-breakup Look at AT&T-C

Two new California corporations were created as a result of the breakup of the Bell Telecommunications System—Pacific Bell and AT&T-C. According to federal court decree, Pacific Bell is responsible for providing local telephone service within designated calling areas (LATAs) in the state, and AT&T-C is responsible for providing telephone service between these calling areas.

The PUC was concerned about the extent of its knowledge of AT&T-C operations after the Bell System breakup. In Decision 85-03-056 the Commissions stated: ". . . an audit of AT&T-C's accounting or bookkeeping is critical. It should be undertaken as soon as possible. . . . We request that our executive director allocate staff resources to carry out this task. . . ".

AT&T-C filed a general rate increase application in November 1985, asking fo. an annual increase of $124 million (later reduced to $83 million. The PUC Public Staff recommended a decrease of $27 million. The Commission's investigation into AT&T-C's operations was impeded by:

- trouble in getting information in a timely manner. In some cases, the utility is reluctant to provide information, citing its sensitivity in the purportedly competitive market in which the company operates,
- the complex nature of its organizational structure and the relationship of AT&T-C with its parent and affiliated companies, and
- the complex system of cost allocation.

The PUC is now reviewing AT&T-C operations from two angles: in the context of its November 1985 application for an annual rate increase and in the context of the Commission's investigation to determine when—if ever—the Commission should relax its regulation of AT&T-C, and whether such relaxation would benefit ratepayers.

Two major issues in the case are (a) the level of marketing expense estimated by AT&T-C and (b) the access by our staff to accounting records at AT&T-C corporate headquarters in New Jersey.

The Commission is expected to decide this case in late 1986. As to the PUC's investigation, initial comments were received from nine parties in January 1986, and reply comments were received from six parties in March 1986. In general, the comments have provided the Commission with a wide divergence of opinion on whether or not to relax the regulation of AT&T-C. Hearings on the investigation will be held later in 1986.

Problems With Utility Diversification

Last year, the Commission reduced Pacific Bell's gross revenue requirements by $4 million and ordered the staff to complete its audit and present results to the Commission. In making this adjustment the Commission pointed out that the transactions between Pacific Bell and its affiliates must be fully auditable by the Commission to ensure ratepayers are not subsidizing unregulated activities or ventures. Assembly Bill 116, effective Jan. 1, 1986, clarifies the Commission's authority to inspect the accounts, books, papers and documents of telephone utilities' affiliates. In response to the Commission's order, the Public Staff Division has sought to impose a royalty on the gross revenue of a utility's unregulated affiliate to compensate the utility for the unquantifiable, intangible benefits affiliates receive from the utility. The PSD has also proposed that:

- the utility be compensated for the transfer of utility personnel to affiliates, and
- comprehensive guidelines be implemented to govern and report transactions between the utilities' regulated and unregulated sectors.

The Commission will continue to monitor and examine utilities' operations in this era of diversifying into new lines of business in order to insure ratepayers' interests are protected.

Status of Equal Access

Seventy-five percent of Pacific Bell's end offices will be converted to equal access and will have Feature Group D Service by 1987. Virtually all end users will be converted by 1992.

Third Phase of Access Charge Proceeding

Meanwhile, the Commission continues its equal access investigation. Access charges are those paid to local exchange telephone companies such as Pacific Bell and General Telephone for starting and ending long distance calls for long distance companies like AT&T, MCI and Sprint. In June 1983 the Commission completed Phase II of the equal access proceeding. It is now well into ending Phase III. In Phases I and II of this proceeding, the Commission resolved broader access charge issues. Phase III is keying on more technical issues, such as determining proper access charges in facilities shared by tenants, and in which "pure" resellers buy volume communications services such as Wide Area Telephone Service (WATS) and resell them to customers whose individual demand alone would not warrant his or her buying high-volume discounted service.

Phase III is also examining what access charges are proper to enable companies to recover fixed costs allocated to long distance carriers, as well as their costs for providing special access for dedicated customer facilities and networks. Phase IIIa, decided in February 1986, dealt with the issue of shared tenant services. A decision on this phase is expected in the third quarter 1986. In Phase IIIb the Commission considered the issues of special access service, transport rate structure, flat fixed costs and resellers. Here too, a decision is expected in the third quarter of 1986. Meanwhile, the FCC increased end-user access charges by $1 effective June 1, 1986.

Customer-owned Pay Telephones

In decisions in November, 1985 and January, 1986 the PUC authorized Pacific Bell to offer a new service entitled Customer-owned Pay Telephone Service (COPT) that will provide interconnection and access to Pacific Bell's network for customer-owned, instrument-implemented, coin-operated phone service. Before this decision Pacific Bell owned the pay phones and collected the revenue. The decision allows independent operators for profit to buy pay phones and sell the service to the public. The PUC found that authorizing such a service could have detrimental impacts on the availability and rates for telephone services generally, but that such impacts can be avoided by setting appropriate rates and terms of service for COPT.

Accordingly, the Commission:

- limited COPT rates to the standard coin rate plus a small premium of five cents for local calls and 10 cents for toll calls, on the grounds that some low-income households rely on pay phones,
- ruled that directory assistance (411) and emergency (911) will be free to the caller,
- ruled that collect calls will be blocked to avoid collection problems, and

- ruled that the operator (owner of purchased pay phones) may limit local calls to 15 minutes.

Under the COPT ruling, independent operators will enter the business if demand is strong enough. He/she must provide a site, buy (or rent) the phone, and pay a monthly charge and measured call rate. The Commission set this measured rate below the coin rate and with sufficient demand, this difference will attract operators to buy or rent the phones and provide the service. The program will be carefully monitored.

Trouble With 976 Information Services

In response to customer complaints, the Commission in April 1985 opened an investigation into Information Access Services (IAS), commonly known as 976 services.

IAS includes either pre-recorded or interactive message services dealing with a range of subject matter, including "dial-a-joke", "dial-a-porn", Christmas and Santa Claus, stock market or sports information and information on other subjects.

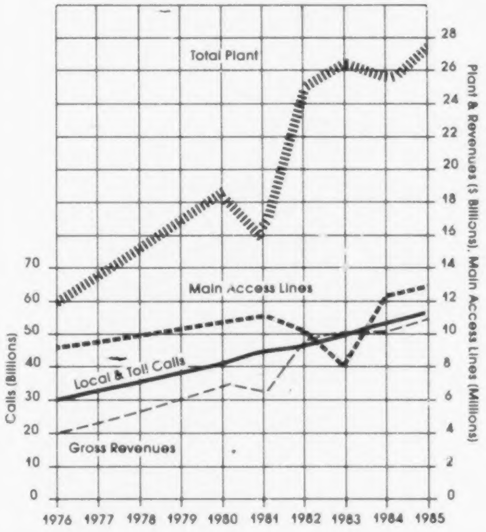
Some customers complained that their children, egged on by television ads, were using the phone to "dial-a-porn", were running up their phone bills and, in general, that the service was a disservice. The Commission's investigation, participated in by the staff, local phone companies, providers of IAS and consumer and parent groups, considered, among other things:

- whether the service should be continued,
- whether the advertising was misleading,
- how unwanted IAS services could be blocked, and
- whether customers' lines could be disconnected for not paying 976-related bills.

Concerned about possible abuses of the service during the 1985 holiday season, the PUC in November that year, in an interim ruling:

- allowed a one-time bill adjustment for customers who claimed no knowledge of 976 charges, or whose children had used the service without their permission, and
- instituted advertising guidelines and separate itemization of 976 charges on customer bills.

GROWTH OF LARGE TELEPHONE UTILITIES



Like the PUC, the California Legislature also acted by passing AB 2550, which added a section to the PUC Code that directed the Commission to offer subscribers the option of blocking 976 services. As the investigation proceeded, both Pacific Bell and General Telephone indicated that call-blocking was possible for most subscribers.

AB 2550 requires that the option to block access shall not exceed $5 for residential customers and that the balance of the cost shall be borne by IAS service providers. Blocking remains the outstanding issue. Its implementation is complicated by FCC and court decisions which stress that, if it occurs, it must be minimally restrictive.

Pacific Bell's Marketing Practices

A PUC Public Staff investigation revealed that Pacific Bell was deviating from the terms of its published tariff in offering services to its residential customers. It turned out that its marketing strategy imposed extraordinary sales goals on its sales managers and representatives. Customers were sold packages which included custom calling features, although they were frequently not told they could get lower cost basic residential service. In a few cases, customers were signed up for services that not only had they not ordered, but which they had actually refused. Other marketing abuses included:

- misrepresenting the qualifications of lifeline service, and
- the requirements for customer deposits.

The staff recommended a penalty of $49.5 million. The Commission issued an order to Pacific to show cause to justify its marketing strategy.

Pacific Bell's Private Line Rates

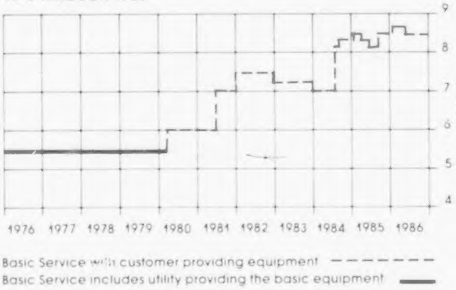
The Commission is considering the rate design for private line service as part of its investigation of Pacific Bell's rate design and operational cost. Private line service is that which carries only the customer's traffic. Businesses are the predominant users of private line service because high volumes are the primary justification for it. However, some residential use occurs through services such as burglar or fire alarm.

In general, Pacific Bell's private line rates have been priced substantially below cost. Both Pacific Bell and the Commission staff recommended increasing the ratio of revenues to costs, the staff proposing a significantly greater increase than the utility. The staff designed rates so that revenues would cover costs, with a ceiling being that rates would not increase more than 50 percent for monthly charges and would no more than double for fixed charges. The staff also recommended that Pacific improve its data gathering on private line use to enable more accurate analysis. The investigation will continue into the next fiscal year.

IntraLATA Data Transmission Authorized

During the fiscal year the Commission authorized Wang Communications to provide private high speed data transmission within California calling areas, going counter to an earlier ruling. In its previous decision the PUC adopted a general policy prohibiting this, although that decision recognized certain potential exceptions, including services such as highspeed data transmission. Wang's application proposed two private lines: one between Concord and San Francisco and the other between Anaheim and Los Angeles. Each line is capable of providing a data speed of at least 1.544 Megabits per Second (MBPS). The PUC imposed several restrictions on this new service. Wang agreed not to multiplex below 1.544 MBPS nor to switch data and voice traffic. Wang also agreed not to offer voice service to its customers.

TREND OF MONTHLY BILLS RESIDENCE TELEPHONE SERVICE
1976 THROUGH 1986



AT&T Offers New Network Service

The Commission authorized AT&T-C to provide its new Software Defined Network (SDN) Service. SDN is an attractive service wherever calling volumes do not justify private line charges. AT&T-C's customers can now define a flexible network which can connect all of its domestic and international offices. Features are:

- uniform numbering,
- authorization codes, off-net access, and
- resource management reports.

SDN is mainly an interstate and interLATA service. AT&T had requested and received FCC approval in November, 1985. Its application to the PUC was for authority to provide "incidental" intraLATA competition. The decision ordered AT&T-C to restrict the scope of intraLATA traffic and to implement certain types of call-screening. The decision did not order the utility to block intra LATA calls.

Other common carriers such as MCI, GTE-Sprint and US Telecom offer services similar to SDN under the generic name "virtual private line network."

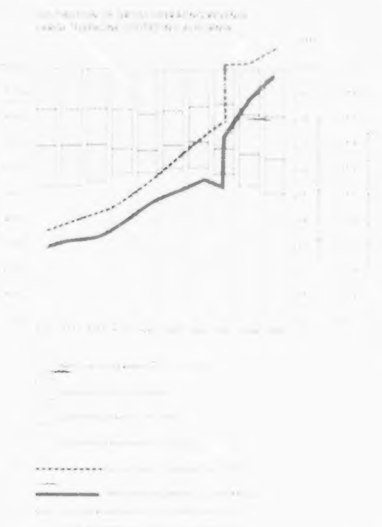
GENERAL RATE CASES

Pacific Bell

The Commission ordered Pacific Bell to reduce its rates by $124 million in January, 1986 and reduced its return on rate base from 12.64 to 12.52 percent.

In March, 1986 the Commission ordered the rate reduction lowered to $121 million. The decreases were due to:

- the utility's operational savings ($25 million),
- its underuse of plant ($45 million),
- implementation of new services ($40 million), and
- miscellaneous revenue requirement adjustments ($11 million).



General Telephone

In December 1985, the Commission authorized a $55.3 million attrition allowance to General Telephone of California.

In a previous decision, the Commission had allowed General Telephone to file for additional rate relief for 1986 to reflect increases in expenses, rate base, and related operational costs.

Continental Telephone

The Commission authorized Continental Telephone to increase monthly basic exchange rates by $1.6 million in July, 1985.

This additional revenue requirement was granted to reflect the utility's increased depreciation expense from its embedded customer premises equipment.

Earlier, in March 1985, the Commission had granted Continental an increase of $7.3 million.

Special Services for the Deaf/Hearing-Impaired

The Commission last year continued development of telephone services for the deaf and hearing impaired. The State Legislature in its 1983 session mandated the "dual party relay system" of communication between deaf and hearing persons. This system uses a live operator to connect a deaf person, using a teletypewriter device (TDD), and a hearing person speaking into a telephone to communicate both ways. Either the TDD-user or the hearing person may begin calls.

The PUC opened its investigation in December 1984. A prehearing conference was held in April 1985 and a public hearing in May 1985. Pacific Bell, General Telephone and AT&T-C prepared a "Proposed Design Report", which the Commission received in October 1985. The PUC approved the report and ordered its implementation in February, 1986.

Design features of the dual party relay system are:

- full, 24-hour service,
- an 800 toll-free number for contacting the relay operator,
- a combination of WATS lines to give the operator access to the called party, and
- equipment to support the relay operator positions.

Calls placed through the relay system will be billed at the same rate as non-relay system calls. Revenues from the system will go to the Deaf Equipment Acquisition Fund (DEAF), and will be used to help defray the cost of the system's operation which, it is estimated, will initially be $7.9 million per year. The system will be the first of its kind in any jurisdiction to operate on a statewide basis.

Cellular Radiotelephone Service

The number of cellular carriers operating in California increased from two last year to six this year. The two last year were the Los Angeles Standard Metropolitan Statistical Area (SMSA) Limited Partnership, and GTE/Mobilenet in the San Francisco-San Jose Metropolitan Area.

The Sacramento Valley Limited Partnership and PacTel Mobile Access, San Diego, began operating in July last year. Gencom, Inc. began rival service to PacTel Mobile Access in May 1985, giving San Diego cellular subscribers the first opportunity in a state metropolitan area to choose between competing providers of cellular service.

The Commission also granted operating certificates to Bay Area Cellular Telephone Co., creating competition in the San Francisco-San Jose Area, and to Los Angeles Cellular Telephone Co., creating competition there. Both carriers will begin operating by the second quarter of next Fiscal Year.

In the table, we compare total subscriber base and cellular site facilities in the state this Fiscal Year.

The Commission's efforts to foster the cellular resale program mandated by the FCC continued last year. The FCC mandate applies during the period in which established wireline carriers are able to beat the fledgling non-wireline carrier to market. The Commission issued eight more certificates to resellers, bringing the total to 29.

Rates by resellers tend to match rates established by the carriers' retail operations. Resellers organizations have protested attempts by carriers to lower retail margins without comparable wholesale rate reductions, as well as the payment of extravagant sales commissions. The Commission, in response to its staff's recommendations, has supported these protests. The PUC finds that the independent cellular reseller has a significant distribution role for cellular carriers.

CALIFORNIA CELLULAR RADIOTELEPHONE SERVICE

MARKET	*CARRIER*	*START DATE*	*Subscribers/Cells* *7/1/85*	*Subscribers/Cells* *6/30/86*
Ventura-Los Angeles-Orange Counties	LASMSA	6/84	28000/29	58000/44
SF/SJ Bay Area	GTE/Mobilenet	4/85	4500/13	17000/26
San Diego Cnty	PTMA	7/85	—	3000/10
	Gencom	5/86	—	2500/9
Sacramento-Stockton	SVLP	7/85	—	3000/5
Fresno Cnty	Fresno MSA	5/86	—	600/3
TOTAL			32500/42	84100/97

The Commission shares the concern of cellular service customers and utilities over quality of service. We observe that level of demand for service has often taxed the cellular carrier's ability to provide system design level grade of service. This is especially true of the Los Angeles and San Francisco Bay Area systems. We find that cellular service demand peaks at specific times in specific locations, using existing capacity at these times. This causes:

- blocked attempts to get a radio channel,
- dropped calls-in-progress when adjacent channels are not available to hand off calls, and
- poor signal quality when mobile units are assigned an available channel in the case of a distant call made under less-than-optimum conditions.

The Commission has sought to ensure that cellular carriers strengthen cell channel capacity and add new cell site locations as required. The utilities have had trouble procuring real estate and with local zoning/planning authorities, in obtaining cell-site locations. The PUC is monitoring the cell-site location and expansion problem. The Commission held hearings last year on a dispute between a California municipality and a cellular utility concerning cell-site use permit approval. A decision is expected in the first quarter of next fiscal year.

California Public Utilities Commission

Water

The Commission's Water Utilities Branch implements and enforces all regulatory staff functions relating to 269 investor-owned public utility water and 14 sewer systems located throughout California.

The Branch analyzes and makes recommendations on all rate matters and the levels of service of all regulated water and sewer utilities in the State. It is responsible for reviewing all water utility tariff filings. It assesses and makes recommendations on applications for certificates of public convenience and necessity to start new utilities or to extend service areas. It also studies, analyzes and makes recommendations on applications for the sale, purchase or transfer of water utilities.

Staff Reorganization

In August 1985, a portion of the Commission staff was reorganized, bringing regulation into one staff organization—the Water Utilities Branch.

Prior to reorganization, there were two separate Commission staff organizations addressing water utilities regulation. The first, the "Hydraulic Branch" located in the Evaluation and Compliance (E&C) Division, dealt mainly with small water company regulation and functions relating to non-formal or ex-parte matters such as advice letter filings, compliance follow-up, sales, transfers and service investigations. The second organization, the "Water Section" located in Public Staff (PSD) Division was responsible for the processing of all formal matters before the Commission.

Most of this work consisted of processing general rate cases for large (class A) water companies. This separation of staff responsibilities for water regulation was not optimally efficient. It resulted in inconsistencies in carrying out water regulation policy and, in some instances, in duplication of effort.

The Commission's new Water Utilities Branch is responsible for all regulation related to water utilities except the financial auditing and rate of return functions. The Commission's accounting staff will continue to provide this function.

The reorganization should result in a more efficient processing of rate increase proceedings, freeing staff for more compliance and service investigations and providing a helping hand (outreach program) for small and troubled water systems.

Insurance Crisis Affects Water Utilities

During the 1985–86 fiscal year, the cost of liability insurance for businesses throughout the nation increased dramatically. Private, investor-owned water utilities the Commission regulated were among the many businesses adversely affected by the increases. The Commission's staff conducted a study and reported its findings and recommendations to the PUC in April 1986. The study found that many water utilities experienced extraordinary increases in insurance premiums. It also revealed that, although the highest increases in insurance premiums were experienced by large, Class A water utilities with 10,000 or more service connections, the worst effects of increased premiums fell on small Class D water utilities with fewer than 500 service connections.

Based on these findings, the Commission's staff recommended that water utilities be allowed to request, by an advice letter filing, a one-time increase in rates to recover the extraordinary insurance costs. Each advice letter was to be reviewed jointly by the Finance Branch and the Water Utilities Branch to insure that:

- The requested increase was reasonable;
- The water company seeking the increase was not earning above its authorized rate of return;
- The water company seeking the increase had demonstrated that its loss in rate of return on equity, due to increases in insurance cost, was greater than 1.50 percent if it was a Class A, B or C water company or greater than 0.75%, if it was a Class D water company;
- For those water companies with debt financing, the decrease in the times-interest coverage ratio caused by the insurance cost increase did not fall below two—the minimum level necessary to attract investors;
- The insurance coverage needed was obtained at the lowest price by a bid process; and,
- The impact on the rate payer was not adverse.

The Commission accepted the Branch's recommendations on May 7, 1986.

Part-time Customers to Pay Advance Annual Charges

In May 1986, the commission ruled on its OII on the need for advance annual charges (AAC), as lump sum to water companies (OII 84-11-013). The investigation was opened on May 7, 1984, following several complaints earlier that year that questioned whether water companies should be able to collect lump sum AAC payments.

The PUC decision was based primarily on information from questionnaires completed by water utilities with AAC tariffs filed with the PUC. The decision found that the advance annual charge provided revenue stability and economies of service for certain water utilities, particularly in resort and rural areas where there were high percentages of part-time customers. AAC, the decision found, provide a reasonable basis for apportioning the fixed cost of operating a utility and guaranteeing continuous water service between part-time and full-time residents. (This includes providing water used for fire protection).

The investigation revealed that financial impacts on customers required to pay AAC were increasing. The effect was greatest when the payment was in the form of a lump sum. Therefore, the decision ordered all utilities requiring AAC to file tariffs to institute optional quarterly payment plans available to all customers. This struck a fair balance between the hardships faced by customers under advance payments and the financial needs of utilities with such tariffs.

The Commission's awareness of the fact that the optional payment plan would provide an incentive for part-time customers to discontinue service during periods in which they were not occupying premises. This would adversely affect utility revenues caused by the loss of the customers' part of paying the fixed costs of the system during the period of disconnection, in addition to the added cost of disconnecting and reconnecting service.

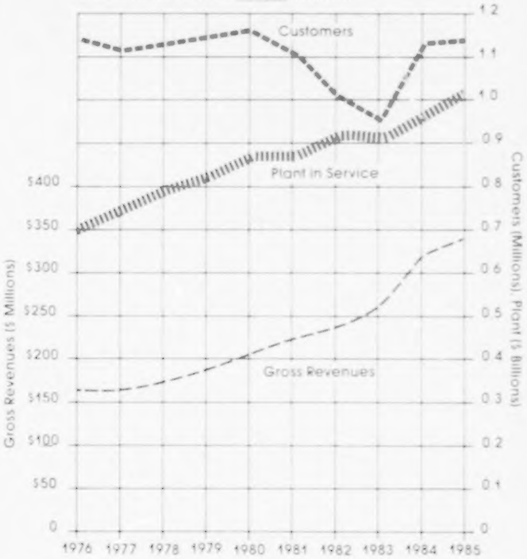
For that reason, the decision also ordered all utilities that required advance annual payments—plus compensatory turn-on and turn-off charges—to compensate themselves not only for the actual cost of disconnecting and reconnecting service but also to cover the customers' share of the utility's fixed costs while disconnected. This compensatory charge will discourage part-time customers from discontinuing service during periods when they do not occupy premises.

Changed Rate Design Policy

In May 1968, the Commission adopted a new rate design policy for water utilities to provide for a more realistic and appropriate distribution of rates between the charge for water service and the water itself. Another goal was to give utilities a chance to recover up to 50 percent of their fixed costs from the service charge.

The new rate design allows a maximum of 3 commodity blocks. Water conservation will be addressed as a part of all future rate applications. The Commission also authorized the establishment of seasonal rates in resort areas, where appropriate. Overall, the new rate design policy seeks to balance the interest of the utility with the needs of the customer.

GROWTH OF LARGE WATER UTILITIES



Water Quality

Approximately one-half of the water consumed in California is obtained from ground water sources. The increasing contamination of California ground water in recent years (due primarily to industrial and agricultural waste pollution) is a major issue facing water utilities under Commission jurisdiction. A high concentration of contaminants in drinking water can cause or lead to cancer, infertility, mutations, birth defects or death.

The Commission is presently conducting an extensive study of the water contamination problem and how it affects California's regulated water utilities. The PUC's water branch staff is preparing a report to be presented to the Commission early in the 1986/87 fiscal year. The report will address:

- the extent of the contamination,
- possible solutions to the contamination problem, and
- the Commission's role in the water quality improvement effort.

Due to the seriousness of potential health hazards to the general public and the complexity of alternate solutions to the problem, the staffs of the Commission and the State Department of Health Services (DHS) are jointly preparing a Memorandum of Understanding (MOU) to ensure a coordinated approach by the two agencies in improving and maintaining a quality water supply in California. The MOU is in its final stages of processing. According to the draft MOU, DHS will be responsible for evaluating and determining all aspects of monitoring water quality, identifying contaminants, and determining improvements necessary to provide a safe water supply.

The PUC will be responsible for evaluating and determining the financial and rate-making aspects of water quality improvement projects and, consequently, for determining the most cost-effective solution.

Privatization Projects

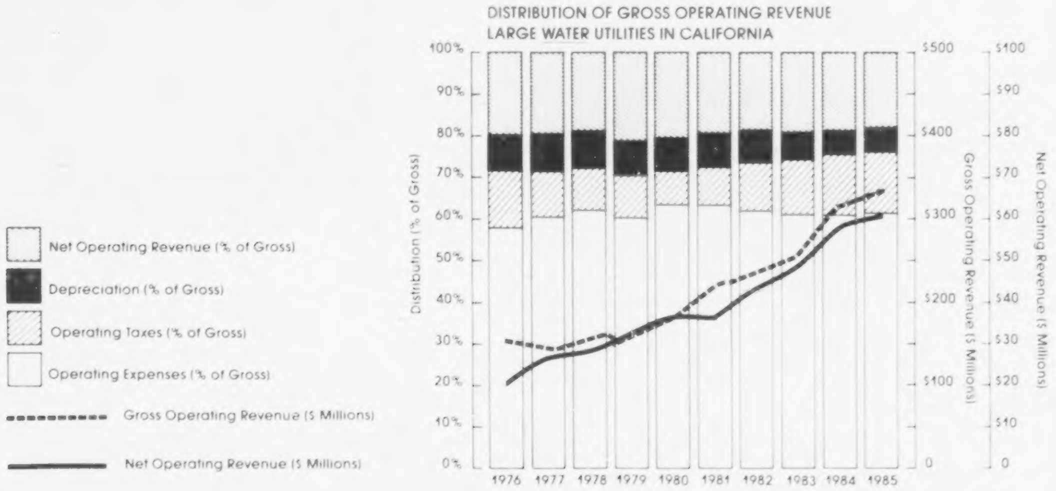
Over the past several years there has been less money from both federal and state sources for building and improving local waste water and sewage systems. As a result, the PUC and other agencies are seeking alternate methods of financing the construction, operation and improvement of waste water and sewage systems.

The Governor's Infrastructure Review Task Force report of April, 1984 identified one alternative method of financing needed waste water treatment systems, called "privatization."

A privatization project is any waste water or sewage project owned and operated by a corporation, partnership, or individual pursuant to a franchise, license, or service agreement with a city, county, city and county, special district or county service area.

On October 1, 1985, Senate Bill 163 was signed into law by the Governor. The bill requires a privatizer to apply to the Public Utilities Commission before signing any agreement with a local agency to have the commission determine that a proposed privatization project is not a public utility and is exempt from Commission jurisdiction. Before determining that a privatization project is not a public utility, the Commission must fully analyze the application to ensure that all relevant issues are covered. In addition, the Commission must ensure that the application or executed agreement grants the local agency, at a minimum, all of the following:

- Exclusive authority to establish all rate changes charged to the public.
- Approval over any proposal of the privatizer to provide new, additional, or alternative service to any other public or private entity or to charge the service fee paid to the privatizer by the local agency.
- Approval over the original design and construction of the project, including any changes in design, alterations, or additions to the project.
- Approval over any changes in ownership of the party or parties subject to the franchise, license or service agreement.
- Authority to impose fines and penalties for noncompliance with any provision of the executed franchise, license or service agreement for failure to provide the service within the time period agreed to in the franchise, license or service agreement.
- Authority to ensure that the facility is adequately maintained.
- Adequate opportunity to monitor compliance with the agreement and to ensure the project will be operated to meet any applicable Federal or State water quality standards or other applicable laws.
- Adequate opportunity to amend the agreement in the event of unforeseen circumstances or contingencies, such as flood, earthquake, fire, or other natural disasters or federal tax law changes.


DISTRIBUTION OF GROSS OPERATING REVENUE
LARGE WATER UTILITIES IN CALIFORNIA

Transportation

CHANGING TRANSPORTATION INDUSTRY

Freight Reregulation Rules

After hearings, the PUC issued its decision on the reregulation of general freight and adopted new rate regulations. They go into effect January 1, 1987. This commission action continues collective ratemaking for all common carriers.

The ruling ordered a 10 percent rate increase for general commodities carriers by May 5, 1986, and adopted a series of measures to update carrier rates that are below levels established by the Commission in 1980.

The standing transition tariffs were ordered cancelled as of Jan. 1, 1987. A Truck Freight Cost Index System (Index) will be established to measure industry-wide changes in operating costs and to serve as a basis for annually adjusting rates. A "rate window" will be established so that carriers can adjust their rates within a range of five percent above and below Commission approved "base" rates, using the annual index changes.

The rate increase required the staff to analyze and file the tariff contract amendments of approximately 5,000 highway common carriers and 4,000 highway contract carriers. To ensure compliance, a program of suspension and revocation was instituted. As of June 30, 1986, compliance was approximately 85% for highway common carriers, and 93 percent for highway contract carriers.

The PUC reregulation decision directs carriers that have active rate reductions on file (some 1,850), and carriers that have filed "metoos" (rates filed to meet a competing carrier's level of rates)—(some 5,000), to rejustify the reduced rates signed on May 28, 1986.

On May 28, 1986, the PUC adopted a resolution establishing a schedule that provides for a series of consecutive time periods when carriers will be required to file their rejustifications. The staff conducted public meetings during May at 18 locations around the State to explain to carriers and other interested parties the new system of general freight regulation.

Assembly Bill No. 2677 (chapter 155, Statutes of 1986), directs the Commission, as an urgency measure, to oversee a study of the availability and cost of public liability and property damage insurance required to be maintained by for-hire carriers. A report of the Commission's findings and recommendations to improve the availability of insurance is due on or before July 1, 1987. An Advisory Committee composed of industry and public representatives is being formed to assure that the study plan will provide maximum input from interested parties.

On May 7, 1986, the PUC issued a decision mandating a three percent rate increase for all cement carriers and cement contract carriers. Compliance was effected in the same manner as for the general freight reregulation decision: an instructional letter was mailed May 16, 1986, and a letter warning of pending suspension was sent to non-complying carriers on June 6, 1986. As of June 30, 1986, 90 percent of cement carriers, and 60 percent of cement contract carriers had complied. The decision also authorized a permissive three percent increase for highway common carriers. The Commission's Transportation Division staff has completed the field work study on highways throughout the State. The new data has been entered into the Distance Table computer program plus other changes such as place names and the addition of new mileage basing points in preparation for printing proposed Distance Table 8-A. The matter was submitted after hearings, and a decision is now pending.

In the PUC's on-going household goods proceeding to update Minimum Rate Tariff (MRT) 4-B costs, rates and rules, hearings were held in February and May, 1986. In February, the California Moving and Storage Association (CMSA) presented its proposals, and in May, the staff presented its proposals for a new tariff, MRT 4-C.

In response to cost increases—particularly insurance costs—the Commission later issued an interim order to increase MRT 4-B rates. Other increases included vehicle and indirect costs. Hourly rates were raised by five percent and distance rates by 10 percent effective May 6, prior to the summer moving season.

The PUC must now act on staff proposals for new ratemaking methods and for changes in hourly rate territorial boundaries. CMSA contested some staff proposals during rebuttal hearing in late May. The case is to be submitted on July 31, after receipt of concurrent briefs. A new tariff may be in place by the end of 1986.

Assembly Bill (AB) 4033, signed by the Governor on September 27, 1984, changed sections of the Public Utilities Code that govern cement carriers and cement contract carriers. The measure also added several sections to the code.

The passage of this bill required the Commission to change existing policies on rate regulation of cement transportation. For example, rate reductions must now be justified annually unless the Commission develops an index to serve as a basis for adjustment and renewal of rates, and the procedures for cement carrier increases are different from those used in the past. General Order 150 has been revised to reflect these changes.

In 1983 the Commission cancelled MRT 8-A in 1983, and directed its staff to monitor the effects of this regulatory policy change. The staff reported back that no significant service or rate problems for small shippers or for Less-than truckload (LTL) traffic has resulted from deregulation.

MRT 14-A contained minimum rates for transport of grain, animal feed, rice, hay, cottonseed and related products. The PUC on Aug. 15, 1984 ordered it cancelled. This action moved the PUC closer to its goal of free market competition. In order to monitor the effects of this reregulatory policy change, public meetings were held at Woodland and Fresno in June and August 1985 respectively.

Participants, totaling about 300, included shippers, brokers, representatives of shipper organizations, and agricultural carriers. Among points discussed with Commissioners and transportation division staffers was the effect of deregulation on the MRT 14-A commodities.

DUMP TRUCK REGULATORY PROGRAM

During the first half of 1986, the Commission conducted several days of hearings to receive carrier, shipper and staff proposals for establishing new dump truck program costing and ratemaking policy.

A PUC decision setting costing policy is expected in late July or early August of 1986. In the interim, hearings to decide remaining policy aspects of the overhaul process will continue.

It should be possible for the Commission staff to begin implementation of an updated system of dump truck minimum rates by early to mid-1987.

SAFETY OF COMMERCIAL VEHICLES

The Commission has approved a staff Truck Safety Report which contains a plan of action to achieve a stronger safety program. It is designed to work in tandem with the California Highway Patrol's safety evaluation program for trucks.

Key resolutions approved by the PUC are:

- the development of a state follow-up report on truck accidents,
- the development of a feasibility study for a new carrier safety evaluation process, and
- a commitment of the PUC to support state and national safety programs and legislation that would improve truck safety in California.

The PUC continued its enforcement of regulations affecting highway carriers of both property and passengers. In addition, A.B. 414 (Moore), recently enacted, gives Commission enforcement personnel Peace Officers arrest powers. Hopefully, this will render our enforcement efforts even more effective—particularly with regard to unlicensed operators.

The Commission's Transportation Division continues to receive useful information on our toll-free enforcement "Hot Line" for use by enforcement personnel at headquarters and at nineteen local District Offices around the state. Hot Line calls provide information not only on unlicensed carriers, but on rate and subhaul general order violations.

PUC staff members have been active in attending meetings of carrier trade organizations, both in the property and passenger areas, in order to better respond to industry concerns.

TRANSPORTATION OF HAZARDOUS WASTE

AB 1299, recently enacted, bolstered a PUC Code section which requires every highway carrier transporting any hazardous material to obtain public liability and property damage insurance coverage in amounts not less than those specified by the United States Department of Transportation. Accordingly on Nov. 13, 1985 the PUC adopted Resolution 18227, which increased the minimum levels of insurance required for such carriers from $600,000 to $1,000,000 or $5,000,000, depending on the type and quantity of commodities transported.

CHANGES IN BROKERS' ACT

The Motor Transportation Brokers' Act (Chapter 5 of the PUC Code) was re-enacted last year by AB 420 which will be effective Jan. 1, 1986. Major changes are:

- Where brokers' licenses could formerly be issued only to an individual, they can now be issued to partnerships, corporations, lessees, trustees, or receivers,
- Where, formerly MTB licenses had to be renewed annually, they can now be issued on a permanent basis.
- Brokers can now directly bill and collect charges from shippers and others,
- Where brokers were formerly required to obtain a $1,000 surety bond, or a bond not exceeding $25,000 in the case of joint applications, the PUC will now set bond requirements.

The Commission adopted a resolution implementing interim rules governing the licensing and operations of brokers.

STEPPED UP BUS SAFETY PROGRAM

A tragic bus accident in Mono County in May 1985 focused state attention on the safety of charter buses. The bus, of the Starlines Sightseeing Tours fleet, contained passengers returning to Los Angeles from Nevada. Twenty-one people died when it crossed the center line of a curve on Highway 395 and skidded into the Walker River.

The accident prompted the PUC and other state agencies to reexamine how passenger stages and charter-party carriers of passengers are regulated in California.

On June 25, 1986 the PUC declared a 90-day moratorium on the issuance of new charter party tour bus permits, in order to make a prompt and thorough review of how carriers get, hold and renew carrier authority.

It also directed the staff to present within 90 days a program to improve the safety and fitness of all passenger carriers regulated by the Commission, and to:

- conduct workshops in San Francisco, and
- invite representatives of the California Highway Patrol, Department of Motor Vehicles, and the affected carriers.

Three important changes in the PUC Code affecting bus transportation became effective last fiscal year:

- One new code section makes it a misdemeanor, punishable by a fine of not more than $1,000 or imprisonment in county jail for not more than six months, or both, for any corporation or person to willfully or knowingly advertise by any oral or written means that the corporation or person is in operation as a charter party carrier of passengers when it has no such valid permit issued by the Commission. Charter party carriers are required to identify their PUC-assigned identification symbol when they advertise.
- Another code change requires all passenger carriers to obtain a round-trip sightseeing permit in order to provide round-trip sightseeing tour services.
- The third change reduced the minimum public liability insurance requirements for vehicles with a seating capacity of 7 passengers or fewer from $1,500,000 to $750,000. As a result, the minimum insurance requirements for PUC carriers were set as follows:

Vehicle Seating	*Amount of Coverage Effective November 19, 1985*
Any vehicle with a seating capacity of 16 or more passengers	$5,000,000
Any vehicle with a seating capacity of eight through 15 passengers, inclusive	$1,500,000
Any vehicle with a seating capacity of seven or fewer passengers	$750,000

Greyhound Lines

In December of 1985, Greyhound requested Commission authority for a 13 percent rate increase and a zone of rate freedom (ZORF), a range within which the company would be free to raise and lower rates at will.

Greyhound did not spell out in its application what the limits of the zone should be. The Commission ruled that the company's application was technically deficient, but granted the 13 percent fare increase and a zone extending from 50 to 113 percent of the fares Greyhound was then authorized to charge.

In June 1985 Greyhound applied to transfer the certificate of Greyhound Lines, Inc. as a passenger stage corporation to a new entity, Western Greyhound Lines Co., to be based in San Francisco. The move is part of Greyhound's attempt to become more competitive with the airlines and with local bus operators by splitting into four separate carriers, to be based in New York, Chicago, Atlanta and San Francisco. It is also part of Greyhound's ongoing efforts to reduce the size of its bus operations.

Greyhound is not only cutting its fleet size—down by one third in two years—but is also selling off its terminals. In January 1986, it operated 127 bus stations through the U.S. By April 30, it had closed three of these and leased 33 to contract operators. Most were outside California. But by June, Greyhound had publicly announced the planned lease-out or closure of ten

California stations, among them terminals in San Francisco and San Jose.

On January 1, 1986 the filing fees for operating authority as a motor carrier of passengers rose sharply. AB 2484 increased the filing fees for charter-party permits from $100 to $500 and for Class B certificates from $200 to $500. Renewal fees rose from $50 and $100 respectively to $300. The filing fee for passenger stage certificates increased from $75 to $500. The Legislature intended the increases to offset some of the costs of regulation.

The change in fees produced a rash of applications for new authorities in the last days of 1985, just before the new fees went into effect. For example, 176 applications for new charter-party authority were received during December, compared to 59 in November and 70 in October.

PREVAILING WAGE PROGRAM

Prevailing Wage Report 185-1, issued in August 1985, contained the prevailing labor costs for base wages and fringe benefits of drivers transporting general freight. Prevailing Wage Report 885-1, issued in March 1985, contained the prevailing labor costs for base wages and fringe benefits of drivers transporting cement in sack or bulk. Prevailing Wage Report 385-1, issued in March, 1985 contained the prevailing labor costs for base wages and fringe benefits of drivers transporting automobiles in truckaway service.

The PUC also used the prevailing wage program to study, analyze and categorize labor costs for drivers transporting household goods. Determination of this wage rested on ideas used in setting the prevailing wage for dump truck drivers.

A new procedure for filing rates for general freight is being devised, using an index and window concept. The labor index will be based in part upon prevailing wage values.

RAILROAD OPERATION IN CALIFORNIA

SP's Intermodal Container Transfer Facility

Southern Pacific Transportation Company undertook a massive construction effort to achieve a Fall 1986 Grand Opening of the first phase of its Intermodal Container Transfer Facility (ICTF) located at Carson, California, four miles from container facilities at the Ports of Los Angeles and Long Beach.

The $54 million project will initially consist of five rail lines and more than six miles of track on the 150-acre site.

ICTF will eventually be the largest facility of its kind in the nation. For the future, SP proposes a total of 12 operational tracks and additional space for container storage, providing yard access through 16 gates, eight of them reversible.

The PUC Transportation Staff has also monitored a major grade separation project now underway along Alameda Street, which separates and parallels both SP's Dolores Yard and ICTF. This is in conjunction with ICTF construction.

The PUC staff participated in establishing a detour, to remain in effect from June 1 to Oct. 1, 1986, which will reroute vehicular traffic through a portion of Dolores Yard. After the grade separation is complete, additional storage tracks will be installed at the detour.

The Railroad Operations & Safety Section and the Data Processing Branch have created a data-base system for the administration and enforcement of state railroad regulations. The new system documents safety hazards in railroad work areas and is used by the PUC to effect the removal of these hazards. It replaces a manual filing system consisting of numerous, cumbersome, and often overlapping files.

The new system will, due to the information managers of computer processing, enhance field work processing productivity for both the railroads and the Commission, and provide analysis and direction for all involved. We are in high expectation of the final phase of the implementation of the system—electronic communication of hazard information.

This system provides direct exchange of electronic files. This, in turn, cuts communication time and cost, and allows the railroad to tailor the form of the safety hazard information to the needs of those responsible for the administrative and physical work to remove the hazards.

FREIGHT TRAINS BLOCKING STREETS

Angry citizens, representatives of business and industry and, more recently, legislators have complained increasingly over the last several years about trains on tracks running across busy streets, blocking their movement through California cities and towns.

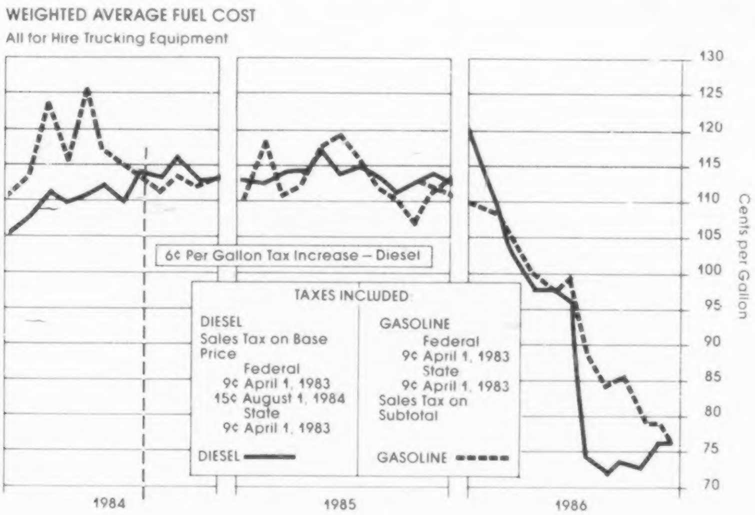
The Commission's General Order No. 135 sets time limits for nonpassenger trains blocking crossings, and provides that railroad companies in violation of time limit rules be prosecuted by local district attorneys.

The PUC's staff has been dispatched to key locations to monitor train movements and is working with a number of railroads to ease the problem. Crossing problems have been identified in Dixon, Union City, Empire, Sacramento, Bakersfield, Mojave, Los Angeles, and Helendale. This work to relieve crossing congestion is being done in the interest of safety.

In 1984, the Commission staff became aware that Southern Pacific Transportation Company had begun a major track rehabilitation effort at its Fresno Classification Yard.

The Commission staff investigated and determined that the extensiveness of SP's work at the yard constituted "reconstruction" of that facility, originally built in 1927.

Once it is determined that a facility is being rebuilt, a railroad company must provide center-line spacing of tracks at least 14 feet apart. SP had provided only 13 feet. This 13 feet-spacing between rack center lines allows railroad employees just over three feet of working space between moving freight cars and adjacent tracks—a stituation fraught with potential for tragedy.


WEIGHTED AVERAGE FUEL COST
All for Hire Trucking Equipment

Opposing the PUC staff determination that the facility was being rebuilt, SP contended that it was just performing "routine maintenance" and refused to comply with the safety requirement ordering a minimum 14 feet.

The PUC then opened OII 84-11-015, held protracted hearings, and defined reconstruction, concluding that SP had rebuilt tracks at its Fresno yard. The Commission ordered SP to provide spacing in compliance with the General Order's safety requirement.

NEW SERVICES REPLACE ABANDONMENTS

Small or specialized entities that ship goods by rail have different transportation needs than others. In response to these needs, Class 1 railroad companies have begun reactivating trackage previously proposed for abandonment.

New service was begun during the past fiscal year on the Great Western Railway between Alturas and Lakeview, Oregon. Slated to begin July 2, 1986, is the Santa Cruz Big Trees and Pacific Railroad proposed passenger service between Felton and Santa Cruz, with eventual extension for freight service.

Eureka continues to serve Northwestern California, where, since the railroad's founding in November 1984, over 10,000 carloads of lumber and other products have been transported to a Northwestern Pacific connection at Willits.

San Diego and Imperial Valley Railroad celebrated its first anniversary on October 15, 1985. The company's shipment service south to the international border, and east to the cities of Lemon Grove, La Mesa, and El Cajon has grown 40 percent over its predecessor company. It recently began regular freight service into Mexico, where cement loads are generated.

BAY AREA RAPID TRANSIT DISTRICT

The Bay Area Rapid Transit District (BART) operated over 750 million passenger miles during 1985/86. PUC safety staff, responsible for monitoring BART's safety, kept watch over newly-introduced BART systems, including the KE track between MacArthur and Lake Merritt Stations, the new "C" car and computerized train-borne Automatic Train Control (ATC) systems. As the fiscal year ends, the C Car and ATC systems are entering the final stage of acceptance testing.

Liaison between the Commission's Safety section and BART's Safety Department improved greatly during the year. This has resulted in the establishment of a formalized safety system start-up procedure requiring BART to submit a "Safety Certification Summary" and a "Notice of Intent to Operate" before starting these systems.

HEADWAY SYSTEM CHANGES

The PUC safety staff continued its evaluation of BART's "Close Headway System Changes." This will include the Rapid Transit Simulator, the Integrated Control System, and the new Turnback tracks at the Daly City Station. With PUC oversight, BART has begun a program to make its cars more fire-resistant that is considered a model for the entire rail transit industry. Work continued during the year on the Los Angeles Metro Railroad Project.

LOS ANGELES RAPID TRANSIT PROJECT

Although painstaking, progress continued on the Southern California Rapid Transit District's rail project proposed to provide service between Downtown Los Angeles and the San Fernando Valley by way of the Wilshire Blvd. Corridor. At year's end, final funding agreement with the Urban Mass Transit Association (UMTA) were underway for the initial four-mile segment.

Also completed during the year was the study of four new alignments for the section of the line passing along the Wilshire-Fairfax area where underground pockets of Methane gas have been located.

The studies were required after an explosion and fire in that area in March 1985. The RTD Board of Directors is expected to make a decision on the new routing by the Fall of 1986.

The Los Angeles Transportation Commission has determined that a light rail line is justified and feasible for construction as part of the 17.3-mile Century Freeway-Transit Way Project, running from the Los Angeles International Airport to the San Gabriel River freeway in Norwalk. The project is to be completed in 1993.

The first new rail system to start operations in Los Angeles will be the light rail line from Downtown Los Angeles to Long Beach. Full service is scheduled to begin in 1990. PUC staff engineers are reviewing construction plans as they are being prepared, and making recommendations on a number of safety related issues involving bridge design, train control and highway grade crossings.

SACRAMENTO LIGHT RAIL SYSTEM

The Sacramento Rapid Transit District's 18-mile light rail line, now being built, will connect the northwestern and eastern suburban areas of Sacramento, with downtown. Revenue service on the first 11-mile link from Downtown Sacramento to Watt Avenue Station is scheduled for March 1987.

In an innovative regulatory approach, the PUC's Rail Transit Section is working with the California Association of Publicly-Owned Transit Systems (CAPOTS) to revise a PUC General Order that establishes safety standards for light rail transit. The PUC adopted the order in 1978. A committee of PUC staff and LRT operators was formed in April 1985 to work on mutually acceptable revisions. The committee has worked to identify areas of agreement and foster a good working relationship between PUC staff and transit operators. A completed, revised, and mutually agreed upon document is due by the end of 1986.

PROPOSED SP/SANTA FE MERGER

Legal efforts to merge Southern Pacific Transportation Company with the Atchison, Topeka and Santa Fe Railway Company are in their final phase. PUC representatives appeared in the final oral argument held on May 21, 1986. A decision must be rendered by October of 1986.

"OPERATION LIFESAVER" PROGRAM

California Operation Lifesaver's first regional symposium at the Los Angeles Police Academy, November 7, 1985, adopted the theme "DON'T MAKE A RAILROAD CROSSING YOUR FINISH LINE" and drew more than 200 participants from education, law enforcement, traffic engineering, government, railroads, transit, parent-teacher's associations and other groups interested in reducing grade crossing accidents. A train-vehicle collision in the City of Vernon was staged to open the LA Symposium by giving a grim account of what happens when a car is struck by a pair of 150-ton locomotives moving at 30 miles per hour.

Federal, State and Local Agencies, the Railroads, the California Highway Patrol, Caltrans, the Los Angeles Unified School District, the Southern California Auto Club and this Commission have worked on the Operation Lifesaver program together for grade crossing safety education, engineering and enforcement in any community where there is need.

OPERATION LIFESAVER—Railroad grade crossing accidents in California in 1985 continued at a rate of nearly one a day. Thirty-seven persons were killed and 113 injured in 353 accidents in 34 counties. According to PUC transportation division officials, however, California's crossing accident level has declined substantially during the past 10 years, down 47 percent from 676 in 1976. Officials attribute much of the decline to the installation of more than 1,300 automatic gates and other crossing improvements during the period at a cost of some $50 million in local, state, federal highway and railroad funds.

Officials also credit the accident decline over the past decade to "Operation Lifesaver", a campaign to heighten public interest in grade crossing safety. In 1976 the PUC joined the California Office of Traffic Safety, California Highway Patrol, Caltrans, the Dept. of Motor Vehicles and other groups to form the California Operation Lifesaver Committee. As part of its public awareness effort, the committee stages simulated car-train crashes in various parts of California. The demonstration above took place in the City of Vernon.

California Public Utilities Commission

Organizational Functions

ORGANIZATIONAL FUNCTIONS

1984 Staff Reorganization

In September 1984, the PUC reorganized to clarify staff roles and to make better use of its staff resources. The reorganization was because of:

- substantial and far-reaching changes in the electric, gas, and telecommunications industries,
- the fact that these changes raised many new issues regarding the companies in these industries regulated by the Commission,
- the fact that the PUC and its staff faced unprecedented responsibilities, and
- because a high-quality staff, supported by well-designed systems and procedures, must be maintained to critically review utility applications and provide the Commission with analyses of regulatory issues.

Accordingly, the PUC created two new divisions: the Public Staff and Evaluation and Compliance Divisions. The duties and responsibilities of these divisions are summarized later in this section.

EXECUTIVE DIRECTOR

The Executive Director, appointed by the Commission, performs the Commission's executive and administrative duties. He/She coordinates, supervises and directs the Commission's operations and affairs, and expedites all matters within the Commission's jurisdiction.

All division heads and other employees except Commissioners and the General Counsel report their job activities and performance to the Executive Director. The Executive Director handles all budgetary and procurement matters relating to personnel, services and material and presents the Commission's budget to the State's fiscal officers and the Legislature.

The Executive Director keeps a full and true record of all Commission proceedings and issues all necessary process, writs, warrants and notices. When all parties are in agreement, the Executive Director may also dismiss complaints on applications. He or She also administers oaths, certifies to official acts and issues subpoenas for witnesses' attendance and produces records needed at Commission hearings and investigations.

GENERAL COUNSEL

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings under the Public Utilities Act. The General Counsel heads the Legal Division, which provides advice and representation in all matters relating to the regulation of California utilities.

LEGAL DIVISION

Four basic sections implement Legal Division programs. They are the Advisory and Appellate, Staff Counsel Sections One and Two, and the Federal Agencies Sections. In addition to advising the Commission and its staff on all legal matters, the Advisory and Appellate section reviews petitions for rehearing of Commission decisions and recommends to the Commission whether to grant, deny or modify such petitions.

It also defends Commission decisions on appeals to the California Supreme Court. Staff Counsel Section 1 is responsible for assuring compliance by California's major gas, electric and telephone utilities with the Commission's expedited rate procedure, and for representing the PUC in matters before other state agencies. Section 2, among other duties, is assigned all hearings other than general rate proceedings of major utilities and is responsible for handling subpoenas to Commission employees or for Commission records.

The Federal Agencies Section represents the Commission in matters that go before federal administrative agencies or federal courts.

PUBLIC STAFF DIVISION

The Public Staff Division critically reviews and analyzes all utilities' applications that are set for hearing, testifies in hearings and investigations, and makes analyses and recommendations intended to serve the best long-term interests of all utility ratepayers.

The Public Staff Division is comprised of 11 branches or other units: Energy Branch-auditing; Telecommunications Branch-auditing; Rate Design and Economics Branch; Telecommunications Rate Design Branch; Diablo Canyon Study Team; San Onofre Study Team; Fuels Branch; Special Economics Branch and Rate of Return Branch-auditing.

EVALUATION AND COMPLIANCE DIVISION

The Evaluation and Compliance Division advises the Commission whether to approve, deny, or modify all utility requests that are not assigned for hearing. It oversees enforcement of Commission orders and provides technical assistance to the Commission. It keeps the Commission informed about major developments affecting each utility within the Commission's jurisdiction. It is comprised of seven branches: Telecommunications; Hydraulic; Service and Safety; Energy; Financial Advisory; Financial and Evaluation; and Research-Advisory.

POLICY AND PLANNING DIVISION

Looking beyond the PUC's daily responsibilities, the Policy and Planning Division analyzes emergency policy issues and changes in the regulatory environment caused by new economic, financial, institutional and technological trends. The Commission reviews this division's analyses to determine how these trends will affect its role and procedures.

TRANSPORTATION DIVISION

The Transportation Division sees that rates the Commission fixes are just and reasonable and that the service regulated carriers provide to the public is adequate. It makes sure that regulated carriers, freight trains and trucks, privately-owned passenger buses, railroads and vessels adhere to the state's transportation rules and regulations. It also oversees the safety of railroad operations and grade crossings and certain public rail transit systems. It issues operating licenses and collects statutory fees.

MANAGEMENT SERVICES DIVISION

The Management Services Division provides services to support the PUC's daily operation. It also carries out a number of statutory functions required by the Public Utilities Code. It provides, among other things, Administrative, Data Processing, Personnel, Employee Training and Development, Fiscal, and Budget Planning Services.

PUBLIC AFFAIRS DIVISION

The Public Affairs Division includes the News Bureau and the Consumer Affairs Branch.

The News Bureau keeps the public informed of PUC policy and action by means of the print and broadcast media, and a variety of special publications.

The Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers and keeps the Commission informed of consumer concerns.

DIVISION OF ADMINISTRATIVE LAW JUDGES

The Division of Administrative Law Judges helps the Commission discharge the quasi-judicial/legislative functions it must perform under terms of the California Constitution and State Statutes. The Administrative Law Judges conduct public hearings, analyze evidence and prepare recommended decisions for approval by the Commission in formal proceedings.

Following is a breakdown of Commission activity by days of hearing and number of decisions in formal proceedings:

Statistical Section Utilities

MAJOR GAS AND ELECTRIC UTILITY RATE APPLICATIONS FILED
Applications Filed July 1, 1985 to June 30, 1986

Utility	Type of Proceeding	Application Number	Date Filed	Amount Requested
Pacific Gas and Electric Company	Diablo 2	85-08-025	8/12/85	$236,000,000
	GAC	85-09-062	9/30/85	(240,000,000)
	General	85-12-050	12/27/85	–
		Amended	3/24/86	683,500,000
	GAC	86-03-030	3/17/86	(256,500,000)
	ECAC	86-04-012	4/4/86	690,516,000
Subtotal				1,113,516,000
San Diego Gas and Electric Company	CAM	85-09-045	9/25/85	(16,600,000)
	CAM	86-04-027	4/16/86	(53,000,000)
Subtotal				(69,600,000)
Southern California Edison Company	ECAC	86-02-011	2/5/86	
		Withdrawn	4/8/86	-0-
	Palo Verde 2	86-02-034	2/2/86	89,200,000
Subtotal				89,200,000
Southern California Gas Company	CAM	85-09-034	9/17/85	434,500,000
	CAM	86-03-058	3/28/86	99,400,000
Subtotal				533,900,000
Subtotal Requested Rate Increases				2,233,116,000
Subtotal Requested Rate Decreases				(566,100,000)
NET TOTAL REQUESTED RATE CHANGES				$1,667,016,000

RATE CASE PROCESSING PLAN
Cases in Progress During Fiscal Year 1985-1986

		Days	
Utility	Status	Plan	Actual
1 San Diego Gas and Electric	NOI filed: 10/17/84	–60	–60
A. 84-12-015	Application filed: 12/17/84	1	1
Test Year 1986	Prehearing Conference: 1/17/85	40	32
	Evidentiary hearings held:		
	3/18/85 — 8/9/85	91-200	92-235
	Public witness hearings held:		
	5/20/85	150-160	155
	Decision: 12/20/85	365	368
2 Pacific Bell	NOI filed: 11/20/84	–60	–62
A. 85-01-034	Application filed: 1/22/85	1	1
Test Year 1986	Prehearing Conference: 3/7/85	40	45
	Evidentiary hearings held:		
	4/22/85 — 12/20/85	91-200	91-243
	Public witness hearings held:		
	5/20/85 — 5/30/85	150-160	119-129
	Decision: 1/10/86	365	353
3 AT&T California	NOI filed: None	–60	N/A
A. 85-11-029	Application filed: 11/18/85	1	1
Test Year 1987	Prehearing Conference: 12/10/85	40	22
	Evidentiary hearings held:		
	4/7/86 — 7/3/86	91-200	140-227
	Public witness hearings held:		
	N/A	150-160	N/A
	Decision: 11/14/86	365	361
4 Pacific Gas and Electric	NOI filed: 10/25/85	–60	–63
A. 85-12-050	Application filed: 12/27/85	1	1
Test Year 1987	Prehearing Conference: 2/11/86	40	47
	Evidentiary hearings held:		
	3/24/86 — 9/22/86	91-200	88-270
	Public witness hearings held:		
	7/9/86 — 8/11/86	150-160	195-228
	Decision: 12/22/86	365	360

NATURAL GAS RATE PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Application No.	Decision No.	Utility	Rate Increase ($)		Percent	Proceeding Type
			Requested	Authorized		
85-02-036	85-08-006	Pacific Gas & Electric	$(199,300,000)	$(316,927,000)	159.0%	GAC
85-03-045	85-08-007	Southern California Gas	-0-	(102,202,000)	N/A	CAM
85-03-087	85-08-007	San Diego Gas & Electric	(36,200,000)	(34,700,000)	95.9	CAM
AL 1324-G	G-2650	Pacific Gas & Electric	11,161,000	11,161,000	100.0	GEDA
85-02-071	85-10-053	Southern California Gas	6,123,000	6,048,000	98.8	Solar
85-02-077	85-10-053	Southern California Gas	16,731,000	20,568,000	122.9	Conservation
	85-10-053	Southern California Gas	(22,854,000)	(26,616,000)	116.5	Fuel Offset
82-12-048	85-12-076	Pacific Gas & Electric	67,938,000	42,356,000	62.3	Attrition
84-02-025	85-12-076	Southern California Gas	95,670,000	94,773,000	99.1	Attrition
85-09-062	85-12-099	Pacific Gas & Electric	(30,183,000)	(296,300,000)	981.7	GAC
85-03-086	85-12-103	Southwest Gas	4,570,946	157,851	3.5	General
85-05-012	85-12-105	Pacific Gas & Electric	55,061,000	51,662,000	93.8	Conservation
85-05-015	85-12-105	Pacific Gas & Electric	(2,345,000)	(4,678,000)	199.5	Conservation
85-09-034	85-12-106	Southern California Gas	(181,700,000)	(107,737,000)	59.3	CAM
85-09-045	85-12-106	San Diego Gas & Electric	(15,450,000)	(21,396,000)	138.5	CAM
84-12-015	85-12-108	San Diego Gas & Electric	21,720,000	3,272,000	15.1	General
AL 1338-G	G-2662	Pacific Gas & Electric	1,082,000	1,082,000	100.1	Conservation
86-03-030	86-06-006	Pacific Gas & Electric	(256,500,000)	(196,942,000)	76.8	GAC
TOTAL			$(464,475,054)	$(876,418,149)	188.7%	

ELECTRIC RATE PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Application No	Decision No	Utility	Rate Increase ($)		Percent	Proceeding Type
			Requested	Authorized		
85-04-019	85-08-044	Pacific Gas & Electric	$63,600,000	$(421,000,000)	– 661.9%	ECAC/ERAM/AER
83-09-049	85-08-046	Pacific Gas & Electric	88,410,000	54,341,628	61.5	Plant Offset
82-04-012	85-08-012	Pacific Gas & Electric	142,396,000	118,945,000	83.5	Plant Offset
AL C-249-E	E-2060B	CP National	1,889,493	753,380	39.9	Fuel Offset
84-02-011	85-11-053	Southern California Edison	N/A	(28,196,654)	N/A	ECAC Prudency
84-07-027	85-12-063	San Diego Gas & Electric	N/A	(9,894,870)	N/A	ECAC Prudency
83-12-053	85-12-076	Southern California Edison	170,744,000	146,323,000	85.7	Attrition
82-12-048	85-12-076	Pacific Gas & Electric	198,412,000	147,973,000	74.6	Attrition
84-06-014	85-12-085	Pacific Gas & Electric	206,000,000	53,828,000	26.1	Plant Offset
85-06-064	85-12-104	San Diego Gas & Electric	(17,300,000)	(65,160,000)	376.6	ECAC/ERAM/AER
85-05-012	85-12-105	Pacific Gas & Electric	9,047,000	8,699,452	96.2	Conservation
85-05-015	85-12-105	Pacific Gas & Electric	-0-	(408,931)	N/A	Conservation
84-12-015	85-12-108	San Diego Gas & Electric	97,500,000	9,597,000	9.8	General
AL 190-E	E-2071	Pacific Power & Light	1,847,439	1,847,439	100.0	ERAM
85-09-021	86-02-004	Sierra Pacific	(2,366,000)	(3,442,000)	145.5	ECAC/ERAM/AER
85-05-017	86-02-030	Sierra Pacific	8,077,000	4,509,000	55.8	General
85-02-042	86-04-007	Southern California Edison	447,700,000	130,000,000	29.0	ECAC/AER
86-04-012	86-06-007	Pacific Gas & Electric	(690,400,000)	(359,900,000)	52.1	ECAC/ERAM/AER
TOTAL			$725,556,932	$(211,185,556)	– 29.1%	

STEAM RATE PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Advice Letter No.	Utility	Rate Change ($)	Proceeding Type
86-S	Pacific Gas & Electric	$(582,000)	Fuel Cost
142-H	San Diego Gas & Electric	(121,600)	Fuel Cost
144-H	San Diego Gas & Electric	1,445,000	General
88-S	Pacific Gas & Electric	(1,362,000)	Fuel Cost
	TOTAL	$(620,600)	

BUTANE RATE PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Advice Letter No.	Utility	Rate Change ($)	Proceeding Type
70-G	Southern California Edison	$(88,700)	Fuel Cost
	TOTAL	$(88,700)	

TELECOMMUNICATIONS PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Application	Utility	Requested Amount	Authorized Amount	Note	% Request Granted
A 83-12-057	Continental Telephone Co. (1985 TY)	$15,200,000	$8,717,000	1	57.35%
A 85-01-034	Pacific Bell (1986 TY)	425,500,000	(120,699,000)	2	– 28.37%
A 83-07-002	General Telephone Co. (1986 AY)	68,851,000	55,300,000	3	80.32%
Adv. Ltr. No. 4979	General Telephone Co. (Access)	36,661,000	36,661,000	4	100.00%
Adv. Ltr. No. 143	Evans Telephone Co. (1985 TY)	905,000	297,000	5	32.82%
Adv. Ltr. No. 110	Ducor Telephone Co. (1985 TY)	75,000	61,000	6	81.33%
Adv. Ltr. No. 102	Tuolomne Telephone Co. (1985 TY)	295,000	(85,000)	7	– 28.81%
Adv. Ltr. No. 208-T	C.P. National (1985 TY)	1,143,000	444,000	8	38.84%
	TOTAL	$548,630,000	($19,304,000)		– 3.52%

NOTES

1. D.83-03-057 granted $7,300,000. D.85-07-015 authorized additional $1,600,000 to correct for revenue understatement in D.85-03-057. D.85-12-074 ordered reduction of $183,000 to offset increase from RTU service.

2. In June 1985, the original request of $1,362,000,000 was reduced to $425,500,000 by changes in depreciation and inflation factors, reduction of access rates due to the change from SPF to SLU, and correction of errors. D.86-01-026 as modified by D.86-03-049 granted – $120,699,000.

3. D.85-12-081, as modified by D.86-06-008, granted $55,300,000.

4. The access revenue reduction of $36,661,000 due to the change from SPF to SLU was offset by increase in the Billing Surcharge by 2.71%.

5. T-10964 dated October 2, 1985.

6. T-10957 dated July 10, 1985.

7. T-11002 dated January 8, 1986.

8. T-10986 dated November 13, 1985.

WATER RATE PROCEEDINGS
(Large Companies)
Decisions Effective July 1, 1985 to June 30, 1986

Application No	Decision No	Utility	District	Rate increase Requested	Authorized	Percent
84-07-003	85-07-084	Citizens	Sacramento	$ 1,286,400	$ 274,300	21.3 %
85-02-025	85-12-012	Temescal		780,198	335,800	43.0
85-03-011	85-12-062	Cal American	Monterey	4,001,100	2,226,200	55.6
85-05-003	85-12-086	Cal Water	East Los Angeles	1,128,300	778,700	69.0
85-05-004	85-12-087	Cal Water	Willows	99,900	71,500	71.6
85-05-005	85-12-088	Cal Water	San Carlos	418,800	242,400	57.9
85-05-006	85-12-089	Cal Water	Palos Verdes	2,142,300	1,261,900	58.9
85-05-007	85-12-090	Cal Water	Livermore	723,400	550,100	76.0
85-05-092	86-03-011	Cal American	Baldwin Hills	605,500	366,600	60.5
85-05-094	86-03-011	Cal American	San Marino	719,800	336,300	46.7
85-05-101	86-03-011	Cal American	Duarte	1,481,200	534,100	36.1
		Totals		$13,386,898	$6,977,900	52.12%

WATER RATE PROCEEDINGS
(Small Companies)
Decisions Effective July 1, 1985 to June 30, 1986

Application No	Decision No	Utility	Rate increase Requested	Authorized	Percent
85-03-003	85-12-026	Uehling Water Co	$ 103,499	$ 103,499	100.0 %
85-07-029	86-04-008	Walnut Ranch Water Co	14,353	13,300	92.7
		Totals	$117,852	$116,799	99.11%
Total Large Water Co			$13,386,898	$6,977,900	52.12%
Total Small Water Co			117,852	116,799	99.11
GRAND TOTAL			$13,504,750	$7,094,699	52.53%

TOTAL WATER RATE PROCEEDINGS
Decisions Effective July 1, 1985 to June 30, 1986

Type of Proceedings	No of Proceedings	Increase Total Annual Revenues
Water		
General Rate Increases (Formal Decisions)	13	$7,094,699
General Rate Increases (Advice Letters)	28	3,952,412
Offset Rate Increases (Advice Letters)	28	801,381
Total	69	$11,848,492

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA
Years 1976 through 1985

End-of-Year	Gas	Steam	Electric	Water	Telephone	Total	Annual Increase
			(Customers in Thousands)				
1976	6,556	0.3	6,577	1,124	10,495	24,752	3%
1977	6,722	0.3	6,795	1,106	11,094	25,717	4
1978	6,894	0.3	7,007	1,124	11,722	26,747	4
1979	7,067	0.3	7,233	1,138	12,696	28,134	5
1980	7,203	0.3	7,420	1,150	12,886	28,659	2
1981	7,328	0.3	7,546	1,100	13,325	29,299	2
1982	7,384	0.3	7,624	1,004	13,498	29,510	1
1983	7,438	0.3	7,725	942	13,938	30,043	2
1984	7,499	0.3	7,892	1,122	14,008	30,522	2
1985	7,714	0.2	8,084	1,140	14,633	31,571	3
Annually Compounded Growth Rate							
1976-1985	1.8%	(4.4%)	2.3%	0.2%	3.8%	2.7%	—

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA
Years 1976 through 1985

End-of-Year	Gas	Steam	Electric	Water	Telephone[2]	Total	Annual Increase
			(Dollars in Thousands)				
1976	$3,243,001	$ 9,989	$10,839,445	$ 689,946	$ 9,868,591	$24,650,972	6%
1977	3,402,538	10,385	11,462,374	726,664	10,679,353	26,381,314	7
1978	3,571,350	10,485	12,235,252	789,126	11,676,421	28,282,634	7
1979	3,764,462	10,625	12,895,178	810,625	12,791,650	30,272,540	7
1980	4,001,702	10,828	13,741,226	866,479	14,507,234	33,127,469	9
1981	4,273,531	10,284	14,718,839	863,836	15,964,162	35,830,652	8
1982	4,492,925	10,730	15,715,885	912,587	17,725,438	38,857,565	8
1983	4,764,054	15,565[1]	18,919,338	907,829	18,625,162	43,231,948	11
1984	5,161,396	16,272	23,109,000	958,005	24,247,083[2]	53,491,756	24
1985	6,054,780	16,643	28,646,772	1,018,823	26,251,420	61,988,438	16
Annually Compounded Growth Rate							
1976-1985	7.2%	5.8%	11.4%	4.4%	11.5%	10.8%	—

[1] Previously, majority of plant was allocated to Electric Department for electric production

[2] Intrastate through 1983, total company thereafter

OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA
Years 1976 through 1985

End-of-Year	Gas[1]	Steam	Electric[2]	Water	Telephone[3]	Total	Annual Increase
			(Dollars in Thousands)				
1976	$2,215,931	$3,342	$ 3,549,868	$156,292	$ 3,500,196	$ 9,425,629	17%
1977	2,596,509	3,327	4,437,762	151,587	3,875,405	11,064,590	17
1978	2,806,942	3,834	4,943,436	161,986	4,267,539	12,183,737	10
1979	3,796,111	3,786	5,038,932	178,173	4,640,500	13,657,502	12
1980	5,024,015	4,315	7,199,207	199,744	5,371,553	17,798,834	30
1981	5,709,779	5,214	8,176,299	220,281	6,299,403	20,410,976	15
1982	6,874,163	7,130	9,400,542	235,114	7,385,532	23,902,481	17
1983	7,116,775	7,099	9,019,897	253,990	7,798,040	24,195,801	3
1984	7,346,150	7,504	10,175,573	318,524	10,082,796[3]	27,930,547	15
1985	7,806,250	7,030	11,509,798	332,959	10,831,923	30,487,960	9
Annually Compounded Growth Rate							
1976-1985	15.0%	8.6%	14.0%	8.8%	13.4%	13.9%	—

[1] Revenue less interdepartmental sales

[2] Revenue less interdepartmental and resale

[3] Intrastate through 1983, total company thereafter

MAJOR RATE REVISIONS
Decisions Effective July 1, 1985 to June 30, 1986

Type of Utility	Rate Revisions
INCREASES	
Gas	$231,079,851
Butane	-0-
Steam	1,445,000
Electric	676,816,899
Communications	101,480,000
Water	11,848,492
Subtotal	1,022,670,242
REDUCTIONS	
Gas	(1,107,498,000)
Butane	(88,700)
Steam	(2,065,600)
Electric	(888,002,455)
Communications	(120,784,000)
Water	-0-
Subtotal	(2,118,438,755)
NET CHANGE	
Gas	(876,418,149)
Butane	(88,700)
Steam	(620,600)
Electric	(211,185,556)
Communications	(19,304,000)
Water	11,848,492
TOTAL NET REVISIONS	$(1,095,768,513)

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
TOTAL UTILITY	645	78	43	766	489	41	44	574
TOTAL TRANSPORTATION	85	49	21	155	299	177	19	495
GRAND TOTAL	730	127	64	921	788	218	63	1069

Of the 1,069 decisions, 117 decisions were issued by Executive Director order.

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

UTILITY MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
GAS UTILITIES								
Rate Matters (General Rate Cases)	3	0	2	5	5	0	0	5
Gas Cost Offset — (Offset Matters)	52	6	0	58	14	0	3	17
LNG Siting	0	0	0	0	1	0	0	1
Gas Safety	0	0	0	0	1	0	0	1
Certification of Facilities	0	0	0	0	1	0	1	2
Complaints	0	4	0	4	6	0	1	7
Gas Service Priorities — Curtailment	0	0	0	0	0	0	0	0
Miscellaneous	2	0	0	2	0	1	0	1
	57	10	2	69	28	1	5	34
MULTI UTILITIES								
Gas and Electric (Rates)	113	4	3	120	27	1	5	33
Complaints	11	1	1	13	16	0	2	18
Commission Investigations	31	3	1	35	24	0	3	27
Miscellaneous	3	0	0	3	10	0	0	10
	158	8	5	171	77	1	10	88
TELEPHONE UTILITIES/COMMUNICATIONS								
Rate Matters (General Rates)	57	4	1	62	11	2	2	15
Commission Investigations	31	9	1	41	35	1	4	40
Terminal Equipment (PBX Sales-Pricing)	0	0	0	0	1	0	0	1
Radio Telephone Utility (RTU) Certification	0	1	1	2	60	0	0	60
Other Common Carrier (OCC) Certification	14	0	0	14	25	0	0	25
Complaints	4	17	3	24	44	2	4	50
Miscellaneous	48	2	0	50	43	0	2	45
	154	33	6	193	219	5	12	236

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

UTILITY MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
WATER AND SEWER UTILITIES								
Complaints	10	2	4	16	17	0	3	20
Rate Matters	14	10	12	36	22	0	2	24
Certification/Transfers	0	1	3	4	9	0	0	9
Miscellaneous	4	0	1	5	7	1	0	8
Commission Investigations	8	0	1	9	8	0	0	8
Finding of Just Compensation — Condemnation	4	0	0	4	3	0	0	3
	40	13	21	74	66	1	5	72
ELECTRIC UTILITIES								
Rate Matters (General Rate Cases)	2	0	0	2	0	0	0	0
ECAC — (Energy Cost Offset)	146	8	0	154	12	1	4	17
Major Plant Additions								
a. Rate Base Offset	5	0	0	5	2	0	1	3
b. MAAC	1	0	0	1	2	0	0	2
Certification								
a. Power Plants	1	0	0	1	0	0	0	0
b. Transmission Line Siting	0	2	0	2	1	0	1	2
Deviations from Undergrounding Rules	0	0	0	0	2	0	0	2
Complaints	9	0	4	13	16	0	1	17
Electric Safety/Line Extension	0	0	0	0	0	0	0	0
Miscellaneous	0	0	1	1	4	0	0	4
	164	10	5	179	39	1	7	47

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

UTILITY MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
FINANCING — TRANSFER OF UTILITIES OR CONTROL								
Combined Gas and Electric Utilities	14	0	0	14	5	9	0	14
Gas (Only)	0	0	0	0	2	1	0	3
Electric (Only)	1	0	0	1	4	7	2	13
Telephone	21	0	0	21	18	6	1	25
RTU	0	0	0	0	0	0	0	0
OCC	0	0	0	0	0	0	0	0
Water/Sewer	0	0	4	4	19	9	0	28
	36	0	4	40	48	32	3	83
ALTERNATIVE ENERGY — CONSERVATION								
Zero Interest Financing								
Gas	0	0	0	0	0	0	0	0
Electric	0	0	0	0	0	0	0	0
Residential Conservation Service								0
Gas	0	0	0	0	0	0	0	0
Electric	0	0	0	0	0	0	0	0
Load Management (Electric Only)	0	0	0	0	1	0	0	1
Solar Financing — Demonstration								
Gas	0	0	0	0	1	0	1	2
Electric	0	0	0	0	1	0	0	1
Solar Related Matters				0				0
Gas	0	4	0	4	0	0	0	0
Electric	0	0	0	0	0	0	0	0
Utility Resource Plan (Electric Only)	0	0	0	0	0	0	0	0
Cogeneration — Small Power Production (Electric Only)				0				0
OIIs — OIRs	0	0	0	0	0	0	1	1
Individual Applications	36	0	0	36	9	0	0	9
	36	4	0	40	12	0	2	14
TOTAL UTILITY	645	78	43	766	489	41	44	574

Statistical Section Transportation

TARIFF & LICENSE BRANCH

Tariff and Contract Filings	Number of Carriers
Adopted Minimum Rate Tariffs & Transition Tariffs	2,185
Participate in Bureau or Agency Tariffs	1,835
Publish Own Tariffs	584
Contracts on File	1,894

Tariff Filings	Number of Carriers	Number of Tariffs on File
Railroads	32	201
Highway Common Carriers	4820	2,844
Cement Carriers	192	25

1. Insurance and Bond Filings of Highway Carriers of Property

Public Liability and Property Damage Insurance	50,377
Cargo Insurance (Household Goods Carriers)	1,549
Insurance Cancellations	44,430
Insurance Reinstatements	7,676
Surety Bond and C.O.D. Bonds	1,828
TOTAL	105,860

2. Highway Carrier Operating Authorities Processed

	Permits	Certificates
New Permits	4,456	179
Transfers	1,366	148
Revocations	4,833	1,862
Motor Transportation Broker Licenses	36	-
TOTAL	10,691	2,189

3. Utilities and Carriers Under Commission Jurisdiction

Commer Air Operators	1,022
Highway Common Carriers, Certificated	4,709
Cement Carriers, Certificated	190
Freight Forwarders (except by air)	26
Express Corporations	10
Railroads	29
Inland Water Carriers, For-Hire	331
TOTAL	6,317

Permits in force on June 30, 1986 (highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy-specialized carriers, agricultural carriers, seasonal livestock carriers, and temporary dump truck carriers.)	36,808

These operating authorities are held by 23,718 for-hire truck operators.

COMPARISON OF PREVAILING WAGE FOR GENERAL FREIGHT 5-AXLE LINE DRIVER

Item (Cost per Hour)	1985	1986	% Change
1. Base Wage	$10.62	$10.59	-0.3
2. Fringes (Holidays, Vacation, Sick Leave)	$ 0.84	$ 0.76	-9.5
3. Health, Welfare and Pension	$ 1.90	$ 1.93	+1.6
4. Total Cost per Hour (Incl. Payroll Taxes & Worker's Comp.)	$15.55	$15.65	+0.6

STATISTICS: 1985/86 ANNUAL REPORT
TRANSPORTATION

(1.) Truck Fuel Costs "Weighted Average Fuel Cost" (Chart).
(2.) G.O. 65 Report — Operating Results Selected Class 1 and 2 Highway Carriers of Property Year ended December 31, 1984@.
(3.) Comparison of Prevailing Wage for General Freight 5-Axle Line Driver.
(4.) Appendix
(5.) Decisions Granting New Common Carrier Certificates of Public Convenience and Necessity for Passenger Stage Services — New Airport Access Passenger Stage Services.

Application No.	Decision No.	Certificate Issued to:	Service Location
83-04-28	85-10-024	Wilmington Cab Co. (The Supershuttle).	Extends service between points in L.A. County and L.A. International Airport.
84-08-020	85-08-079	Metropolitan Paratransit Co., Inc. (Celebrity Airport Livery).	Extends service between points in L.A. County and L.A. International Airport.
84-10-026	85-07-073	H.M. Hosseini (Super Express).	Between points in South Bay Area and L.A. International Airport.
84-11-034	85-07-074	M.A. Makail (Cairo Limousine Service).	Points in L.A. et. al. Counties and L.A. International Airport.
84-11-044	85-09-048	R.J. Mayeri (Downtown Airporter)	Between Oakland et. al. and S.F. International Airport.
85-01-056	85-10-074	Newport Beach Rentals (Air Cruises Tours Shuttle).	Extend service at Costa Mesa and Ontario and Long Beach Airports.
85-02-033	85-07-122	J.D. Welch et. al. (Shasta Skyhawk).	Between Redding and Sacramento Metro Airport.
85-04-046	85-09-039	S.A. McColley (A Touch of Class Limousine Service).	Between San Mateo County et. al. and San Francisco International Airport.
85-05-071	85-09-073	R.O. Patterson (Empire Airport Transit).	Between points in San Bernardino et. al. and Ontario International Airport.
85-06-051	85-12-041	J. Mitchell et. al. (Marina Shuttle).	Extend service between Venice and L.A. International Airport.
85-07-031	85-12-037	P. Nicola (Downtown Shuttle).	Between points in Sacramento et. al. and Sacramento Metro Airport.
85-07-077	86-01-016	Inter-city Transit of Santa Rosa	Between points in Sonoma County and Sonoma County Airport.
85-08-029	86-02-026	Santa Barbara Airbus Inc.	Extend service between points in Lompoc et. al. and L.A. International Airport.
85-08-063	86-01-052	Airporter Express	Extend service between points in Alameda et. al. Counties and Oakland International Airport.
89-10-009	85-12-046	R.D. McClain (Victorville/Ontario Airport Shuttle).	Between Victorville and Ontario Airport.
85-10-009	85-12-046	Associated Limousine Operators of S.F.	Extend service in Santa Clara et. al. Counties.
85-08-029	86-02-026	Santa Barbara Air Bus	Between Lompoc and L.A. International Airport.
85-09-017	86-02-051	E.H. Hildebrand et. al. Hildebrand Airport Transportation Service	Between points in San Diego County and San Diego International Airport.
85-08-037	86-03-078	Pinetree Service Corp.	Between San Juan Capistrano and John Wayne Airport.
85-09-037	86-03-086	R.J. Mayeri (Downtown Airporter)	Between Oakland et. al. and S.F. Airline Terminal.
85-10-002	86-04-067	Five Star Limousine Service at Santa Clara	Between Santa Clara/San Mateo Counties and S.F./San Jose International Airports.
85-11-030	86-05-002	Prime Time Limo Service	Between airports in L.A. County and Agoura, et. al.
85-11-030	86-05-002	Santa Rosa Airporter	Extends service between Novato, et. al. and S.F. International Airport.
86-03-018	86-06-072	Jerry Flemming	Between North San Diego County and San Diego International Airport.
85-12-014	86-06-022	G. Preston (Preston Airport Transportation)	Between points in Alameda/Santa Clara Counties and the S.F./Oakland and San Jose International Airports.
86-02-016	86-06-024	A. Luna	Between Oakland et. al. and S.F./Oakland International Airports.

1. Railroad Accident Reports received by the Commission have declined in number reflecting the reduced operations by railroad employees during the current decline in train traffic.

2. The increase in the number of supplemental survey items is a result of an improved accounting system, the filling of a vacancy, and more efficient utilization of staff man-hours due to the implementation of the Railroad Inspection Inventory System, a computer data-base system. Also of note is a policy of deferred maintenance admitted by a major railroad in the state which apparently is contributing to the increased number of safety hazard items.

3. The decline in number of equipment inspections was due to the time required to have the Federal Safety Standards Unit equipment inspector become certified to inspect locomotives.

FARE INCREASES AUTHORIZED SURFACE PASSENGER CARRIERS

Decision No.	Carrier	Estimated Annual Intrastate Revenues	
		Present Fares	Proposed Fares
85-12-044	J.E. Hunter (Commuter Club).	106,073	116,574
85-08-051	Airport Limousine Service of Sunnyvale Inc.	2,497,442	2,666,245
85-08-052	Harbor Carriers, Inc. (Red and White Fleet).	519,000	606,000
85-08-053	Harbor Carriers, Inc. (Red and White Fleet).	993,000	1,210,000
85-07-067	24-hour Airport Express	3,490,000	3,702,000
85-09-041	Southern California Coach	735,500	863,000
85-10-066	Capital City Co-op Cab, Inc. (Capital City Co-op Commuter)	108,330	162,495
85-09-081	Greyhound Lines Inc.	65,813,710	72,400,581
85-10-025	Lorrie's Travel & Tours Inc.	891,000	950,000
85-12-045	E.D. Stitch (Challenger Coach Leasing).	36,800	41,000
86-02-027	H. Tourist, Inc. (Catalina Cruises).	8,170,000	9,038,000
86-01-019	Eureka-Redding Stages, Inc. (Redwood Empire Lines).	266,836	290,457
86-02-023	W.D. Thomas	44,215	47,922
86-01-056	Sonoma Airporter, Inc.	128,889	173,679
86-02-020	Peerless Stages, Inc.	650,000	820,000
86-04-069	Mt. Lassen Motor Transit, Inc.	7,828	11,742
86-02-053	Mendocino Coast Railway, Inc.	968,450	1,239,273
86-03-037	D. Wittman et. al. (Bob's Rides).	94,598	135,140
86-03-039	G.A. Hughes (Marin Airporter).	1,883,847	1,148,053
86-04-031	Greyhound Lines, Inc.	86,347,718	91,999,962
86-04-035	Santa Barbara Airbus	852,000	932,000
86-04-032	Antelope Valley Bus, Inc.	765,369	1,148,053

MINIMUM RATE TARIFF INCREASES
FISCAL YEAR (85-86)

Transportation	Percent Increase	Dollar Increase (In Thousands)
Livestock, MRT 3A	—	(See Note A)
Household Goods, MRT 4B	9.02	18,508
Dump Truck, MRT 7A	2.66	8,112
MRT 17A	3.00	2,550
MRT 20	3.70	1,623

Note A: Adjustments to livestock, MRT 3A resulted in certain rules revisions.

G. O. 65 REPORT—OPERATING RESULTS
SELECTED CLASS 1 AND 2 HIGHWAY CARRIERS OF PROPERTY
YEAR ENDED DECEMBER 31, 1984[a]

(Thousands of Dollars)

Number of Carriers	Type of Transporation Service	Total Operating Revenue	Total Operating Expenses	Total Operating Income[b]	Operating Ratio (Percent)
(Intrastate)					
13	General Freight—LTL	221,995	219,836	2,159	99.0[c]
10	General Freight—TL	41,954	40,702	1,252	97.0[c]
17	General Freight—LTL	142,499	142,446	53	100.0[d]
8	General Freight—TL	21,976	21,387	589	97.3[d]
8	Agricultural Products	27,168	27,183	(15)	100.1
9	Bulk Fluids	37,260	37,636	(376)	101.0
5	Cement	15,356	14,884	472	96.9
6	Forest Products	16,155	15,417	738	95.4
3	Heavy Machinery	88,390	93,872	(5,482)	106.2
5	Livestock	17,589	16,568	1,021	94.2
5	Motor Vehicle Truckaway	314,039	299,734	14,305	95.4
14	Used Household Goods	75,054	80,518	(5,464)	107.3
4	Vehicle Unit Rates	6,472	6,489	(17)	100.3
		1,025,907	1,016,672	9,235	99.1
(Interstate)					
8	General Freight	3,272,955	3,094,777	178,178	94.[illegible]
9	Used Household Goods	1,751,186	1,699,634	51,552	97.1
1	Rail Subsidiaries	105,995	101,799	4,196	96.0[e]

a-Based on Carrier Annual Reports filed with the Commission
b-Before Income Tax
c-Intercity
d-Short Line plus Local Drayage
e-General Freight
( )-Denotes negative figure

NEW HOME-TO-WORK PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued to	Service Location
85-03-084	85-08-030	Commute Bus Lines	Between Sacramento and S.F.
85-03-091	85-07-125	Easy Ride Home-to-Work Service	Between points in Vacaville and United Airlines Maintenance Base, SFO.
85-05-024	85-08-036	JAT England	Between San Jose and San Ramon.
85-06-041	85-09-043	James Commuter Service	Between Alameda County and S.F.
85-09-041	85-12-092	Rasgill Inc.	Between Santa Clara et. al. & San Ramon.
85-11-010	86-01-020	Pathfinder Transportation Inc.	Between Thousand Oaks and L.A.
86-01-039	86-04-072	R.C. McHenry	Between Alameda County and S.F. International Airport.
86-02-032	86-04-070	Commuter Bus Lines	Between Fullerton and points in L.A.
85-12-063	86-05-088	J.H. Blizzard (Easy Ride Commute)	Between Vacaville and the United Airlines Maintenance Base.

NEW INTER-CITY PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued to	Service Location
84-09-039	84-09-039	Homewood Manor Inc. (HM Inc.)	Between Beverly Hills, L.A. and Palm Springs.
85-02-023	85-09-074	Lord & Miner Inc. Blue & Gold Cab & Paratransit Lines	Between Ridgecrest & L.A.
85-02-101	85-08-035	Redskins Inc. (Pieles Rojas)	Between San Ysidro and Otay Mesa.
85-05-114	85-10-067	S.J. Bielet	Between San Diego & National City.
85-07-003	85-10-026	Harbor Bay Business Park Assn.	Between Harbor Bay Business Park & Oakland Coliseum BART Station.
85-07-067	85-12-042	T.L. Post et. al. (Golden State Shuttle)	Between points in San Bernardino, et. al. Counties & truck stops of Amet, San Bernardino County.
85-09-044	85-12-038	Leisure Transportation Inc.	Between L.A. County and Mammoth Lakes.
85-06-067	86-01-055	Pacific Coast Sightseeing Tours	Between Anaheim and Buena Park.
85-10-040	86-04-030	Howard Tu	Between S.F. and Golden Gate Fields.
85-09-035	86-03-038	Yosemite Park & Curry Co.	On-call service between Yosemite Park and Merced.
85-12-058	86-05-039	B. Twoomey, et. al. (Northcoast Redwood Tours)	Between Orick & points in Redwood National Park.

DECISIONS GRANTING NEW VESSEL COMMON CARRIER SERVICES

Application No.	Decision No.	Certificate Issued to	Service Location
85-05-106	85-09-082	Crowley Towing and Transportation Co.	Between points in California (freight only).
85-06-016	85-08-080	Harbor Carriers Inc. (Red & White Fleet)	Passengers between Sacramento and Stockton.
85-06-062	85-11-037	Harbor Carriers Inc. (Red & White Fleet)	Passengers between S.F. and Vallejo.
85-05-010	86-03-040	H. Tourist Inc.	Passengers along shoreline of Long Beach Harbor.

RAIL TRANSIT SAFETY ACTIVITIES

Items	Total
BART Passenger Miles for the Year 1985:	780,000,000
Investigation of accidents and unsafe occurrences reported by BART for 1985:	104
Investigations of rail transit projects and modifications under review:	119

CLASSIFICATION OF ACCIDENTS

	ACCIDENTS		CASUALTIES			
	TOTAL	% TOTAL	KILLED	INJURED	TOTAL	% TOTAL
Vehicle — Train Accidents						
Vehicle — Train at Public Crossings	305	85.67	23	104	127	81.93
Vehicle — Train at Private Crossings	37	10.39	9	9	18	11.61
Vehicle — Train between Crossings	3	0.84	0	0	0	0.00
SUBTOTAL	**345**	**96.91**	**32**	**113**	**145**	**93.54**
Other Accidents						
Miscellaneous	6	1.68	2	3	5	3.22
Pedestrian Accidents	5	1.40	4	1	5	3.22
Not Stated	0	0.00	0	0	0	0.00
SUBTOTAL	**11**	**3.08**	**6**	**4**	**10**	**6.45**
TOTAL	**356**	**100.00**	**38**	**117**	**155**	**100.00**

SAFETY PROGRAM—RAILROAD OPERATIONS

The table below summarizes the staff functions in dealing with problems and in obtaining compliance with several State statutes and Commission General Orders applying to the health and safety of common carrier railroads, operating and non-operating employees, passengers, and the public.

	1981-82	1982-83	1983-84	1984-85	1985-86
1. Accident Reports analyzed and tabulated (calendar year)	3025	2613	2335	2308	2026
2. Accidents investigated in detail (calendar year)	175	198	171	187	161
3. Impaired clearance conditions processed	533	320	512	705	587
4. Walkways and other unsafe conditions processed	1057	891	1180	883	1857
5. Informal complaints filed	158	102	79	76	105
Informal complaints closed	872	125	117	80	92
6. Supplemental Surveys/ Inspection Transactions	1196	2034	1786	949	3024
7. Federal Safety Standards					
Unit Equip. Inspections	248	336	298	275	201
Track Inspections	76	250	147	153	162

1985-86 figures in the above table highlight several trends that are ongoing in the work performed by the Railroad Operations and Safety Section.

SUMMARY OF GRADE SEPARATION PROGRAM

NAME OF PROJECT	LOCAL AGENCY	RR	STATE'S SHARE
Lvmr-Alta. Consolidation	Alameda Co.	WP & SP	$ 4,014,933.10
Carmenita Rd UP	Santa Fe Springs	SFe	1,970,400.00
Eastern Avenue UP	Los Angeles Co.	SFe	745,391.41
Peck Road UP	Los Angeles Co	SP	5,000,000.00
Railroad Avenue OH & UP	Pittsburg	SP & SFe	* 3,269,275.49
TOTALS			$15,000,000.00
Amount Available July 1, 1984			$15,000,000.00
Allocation for 1984-85 FY			$15,000,000.00
BALANCE			0.00

* Total Amount Requested $5,000,000.00

1985
AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS BY COUNTY

County	Column I New Crossings With Automatic Protection	Column II Initial and Improved Automatic Protection	Column III Automatic Gates (Included in Columns I & II)
Alameda		1	1
Colusa		2	2
Contra Costa		1	1
El Dorado		1	1
Imperial		1	1
Kern		3	1
Los Angeles	2	21	19
Madera		3	3
Mendocino		1	1
Merced		2	1
Orange		4	4
Placer		1	1
Riverside	1	6	6
Sacramento		1	
San Bernardino	5	3	3
San Joaquin		3	3
Santa Clara		1	
Tulare		3	3
Ventura	3	5	8
Total	11	63	59

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

TRANSPORTATION MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
HIGHWAY CARRIER RATES								
Rate Increase Applications and/or Minimum Rate Case Petitions for Modification	26	5	0	31	30	66	0	96
Applications for Deviations From Minimum Rates	3	0	0	3	21	0	2	23
Commission OIIs or OIRs Into Generic Rate Matters and/or Rules or Policy	17	3	1	21	18	0	8	26
Rate Enforcement (OIIs)	0	0	0	0	0	0	0	0
Safety-Insurance Matters	1	0	0	1	0	0	0	0
I&S Complaints About Rate Levels	0	0	0	0	0	0	0	0
Complaints (Other Than Rate Levels)	5	0	0	5	5	0	0	5
Miscellaneous	2	0	0	2	1	0	0	1
	54	8	1	63	75	66	10	151
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)	2	4	0	6	2	0	0	2
Permitted/Specialized Carriers (e.g., Dump Truck)	4	16	10	30	98	2	1	101
	6	20	10	36	100	2	1	103
HIGHWAY CARRIER FINANCING — ACQUISITION ACQUISITION OF CONTROL (Issue of Stock, Bonds, or Acquire Stock Control of Entity)	0	0	0	0	8	2	0	10

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

TRANSPORTATION MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
MISCELLANEOUS								
Pipeline	0	0	0	0	1	2	1	4
Surface Passenger Matters	1	0	0	1	0	0	0	0
	1	0	0	1	1	2	1	4
TOTAL TRANSPORTATION	85	49	21	155	299	177	19	495

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1985–86

TRANSPORTATION MATTERS	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	7	13	0	20	78	19	2	99
Charter Party	1	0	0	1	2	0	0	2
Vessel	0	1	0	1	3	0	1	4
Rates				0				0
Passenger Stage	0	0	1	1	2	13	0	45
Vessel	0	0	0	0	2	2	0	4
Rail	0	0	8	8	2	1	0	3
BART	0	0	0	0	0	0	0	0
Complaints				0				0
Bus/Passenger Stage	0	2	0	2	5	1	0	6
Charter Carriers	4	1	0	5	2	0	1	3
Vessel	0	0	0	0	0	0	0	0
Rail	0	0	0	0	1	0	0	1
BART	0	0	0	0	0	0	0	0
OIIs — OIRs				0				0
Bus	4	0	0	4	0	1	0	1
Vessel	0	0	0	0	1	0	0	1
Rail	4	2	0	6	3	0	1	4
BART	2	0	0	2	1	0	1	2
Safety — Compliance/Safety Rules				0				0
BART	0	0	0	0	2	1	0	3
Rail Safety	0	0	0	0	3	0	0	3
Bus	0	0	0	0	0	0	0	0
Vessel				0	1	0	0	1
	22	19	9	50	108	38	6	152
RAIL CROSSINGS								
Applications	0	2	1	3	4	67	1	72
OIIs — OIRs	2	0	0	2	0	0	0	0
Complaints	0	0	0	0	3	0	0	3
	2	2	1	5	7	67	1	75

Appendix

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION

Electric	11
Gas	5
Steam	2
Water	267
Sewer	14
Pipelines	7
Telephone (Local)	22
Telephone (Long Distance)	83
Telegraph	1
Mobile Radiotelephone	84
Cellular Radio (Resale)	31
Cellular Radio (Facilities)	7
Charter Party Carriers (Certificated)	480
Charter Party Carriers (Permits)	1,288
Passenger Stage	292
Vessels Common Carriers (Passengers)	18
Vessels Common Carriers (Freight)	3

COMMISSIONERS

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Advisor

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Resigned April 1986

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Advisor

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Appointed May 1986

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Resigned April 1986

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Selected May 1986

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Southern California

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PAUL POPENOE
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TERRY MOWREY
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Resigned May 1986

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TED E. PECEIMER
Tariff and License Branch

WILLIAM H. WELL
Passenger Operations Branch

WILLIAM SCHULTE
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Safety Branch

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Information Officer

ELIZABETH Y. GNAGNO
Information Officer

CAROL KRETZER
Information Officer
Southern California

MARCO VALENTI
Consumer Affairs Branch

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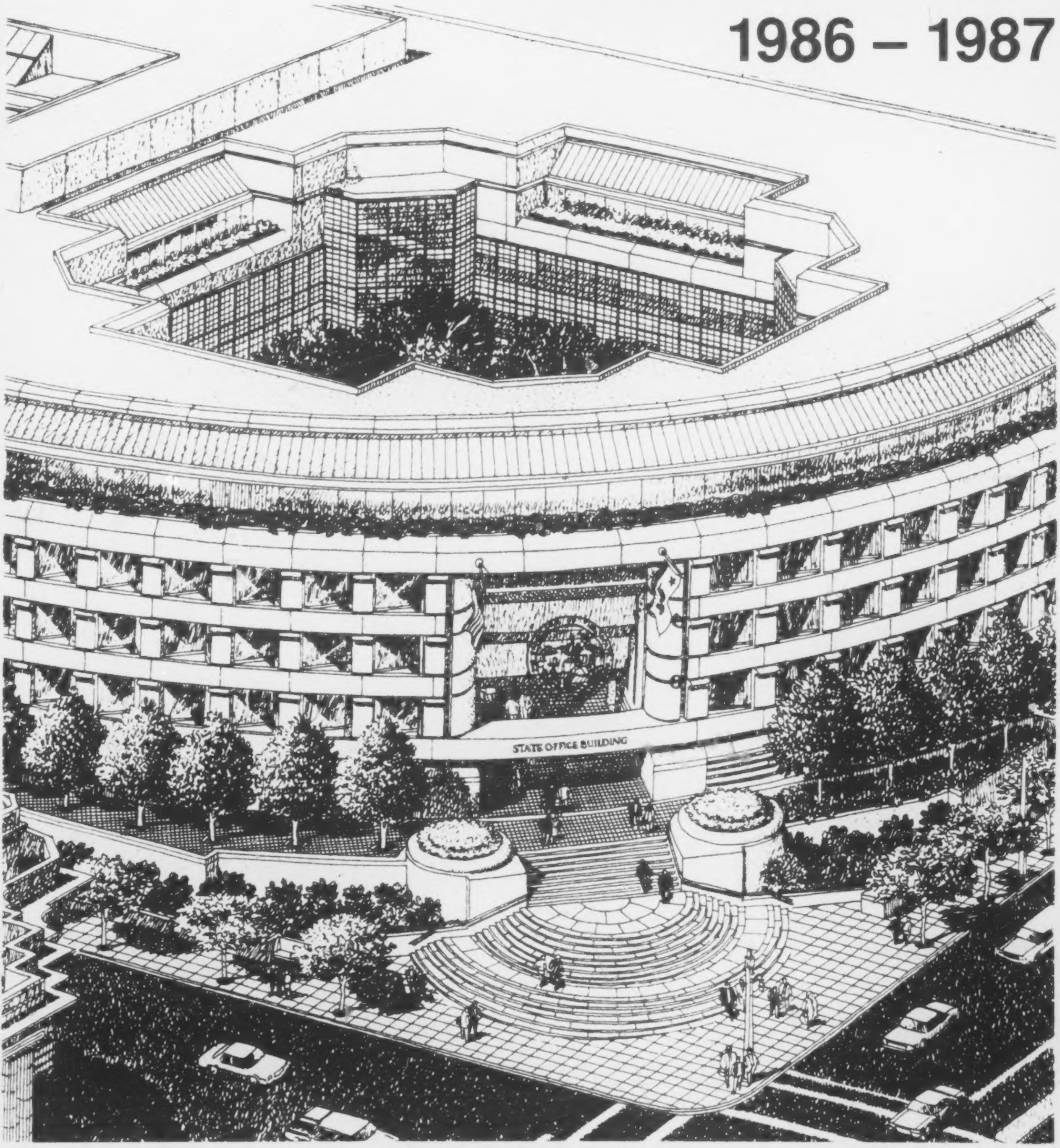
State of California
PUBLIC UTILITIES COMMISSION
ANNUAL REPORT
1986 – 1987


STATE OFFICE BUILDING

STANLEY W. HULETT—President

DONALD VIAL—Commissioner

FREDERICK R. DUDA—Commissioner

G. MITCHELL WILK—Commissioner

JOHN B. OHANIAN—Commissioner

VICTOR CALVO—Commissioner
(Term ended 12-86)

PRISCILLA C. GREW—Commissioner
(Resigned 11-86)

Cover:

One of the most memorable events of Fiscal 1986–87 occurred when the Public Utilities Commission moved into its new headquarters, the Edmund G. Brown State Building, in August 1986. For the first time, almost all of the Commission's 1,047 employees were housed in one location. Being under one roof has not only enhanced efficiency and communication, but has strengthened the sense of purpose and unity among the Commission divisions as staff members perform their duties necessary to regulate the privately-owned public utilities and transportation companies in California.

PUC 1986–87 ANNUAL REPORT

Editors: ELIZABETH GNAGNO, DIANNE DIENSTEIN
Clerical Support: RAQUEL SIMMONS
Public Affairs/News Bureau

Design and Layout—DIANNE DIENSTEIN

The Public Utilities Commission regulates the service and rates of more than 25,000 privately-owned utilities and transportation companies serving over 26 million Californians.

These include gas, electric, local and long-distance telephone, radio-telephone, water, steam heat utilities and sewer companies; railroads, buses, trucks, and vessels transporting freight or passengers; carloaders and pipeline operators.

The PUC does not regulate city- or district-owned utilities, or "mutual" water companies.

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California Public Utilities Commission

Letter of Transmittal

The Honorable
George Deukmejian
Governor of California

As we reported last year, the utility industry is in a period of rapid change. Since our last Annual Report, evolving federal policy and technology have accelerated the development of increased competition and complexity in the utility industry.

In our PUC Annual Report for the 1986–87 Fiscal Year, we respectfully summarize our efforts to meet these challenges.

While the rapidity of change has created new challenges for the Commission, we continue to see several broad themes cutting across several of the industries we regulate.

- While competition is ever increasing, it is not pervasive. Emerging competitors tend to serve the largest customers, while smaller customers tend to have fewer or no competitive alternatives.
- By retaining those large customers, even at discounts from previous rates, the utilities may be able to better use capacity and keep rates to other customers lower than they would be if those large customers were lost altogether.
- Utilities continue to invest in new lines of business, in some cases competing with utility services, in some cases providing supplementary services, and sometimes entering unrelated areas.

The basic principles of our response to these changes are unchanged from last year.

- We are becoming market focused, to better understand the nature and extent of competition that utilities face. We need to promote competition where this can benefit the state's citizens, and to maintain regulation where markets are unlikely to operate well.
- We continue to refine our ability to identify the costs of serving different customer segments, to assure that any discount or special rates we offer cover the costs of the services provided, and to prevent cross-subsidies in the provision of new services.
- We are reexamining service obligations to assure that utilities do not make long-term utility investments for customers who later choose competitive alternatives, causing a cost shift to remaining utility customers.
- We continue to examine utility investment strategy carefully, to assure that utilities do not make major investments that will be stranded by competition.

- We have maintained our course of avoiding micro-management of utility affairs, wherever possible shifting responsibility and risks onto utility management who are in a better position to observe market forces and respond to them effectively.

- Finally, we must maintain our traditional regulatory work; scrutinizing rate applications, setting service standards, and adjudicating customer complaints.

In telecommunications, developing technology holds the promise of lower costs and new services, but has raised major questions regarding potential shift of costs between those new services and traditional basic service. The Federal Government has moved to make new services available through competitive processes, in part by providing competitors access to utility plant. The PUC is participating in federal proceedings, and must evaluate how developing policy will affect the applicability of traditional cost-of-service regulation within the state. Meanwhile, the Commission continues to use its regulatory power to encourage the state's telephone utilities to provide services efficiently.

In natural gas, the Commission adopted a new, comprehensive regulatory framework which will open markets to further competition where possible, make cost-based gas transportation service available, and allow gas utilities to respond to dynamic market conditions, while protecting small consumers. The Commission has moved to assure that these policies will be consistent with continually evolving Federal policy. In addition to implementing California's new regulatory program, the Commission is also investigating ways to provide large customers with new service options such as gas storage. These new services are intended to meet the needs of an increasingly sophisticated market, and improve the efficiency and competitiveness of utility natural gas service.

In electricity, the Commission has devoted considerable attention to the role of customer-owned generation in an industry burdened with overcapacity. Some fundamental and far-reaching policy decisions have emerged from this review. Most significantly, the Commission has authorized short-term discount rates to keep potential self-generators on utility systems, under an incentive system which will minimize the effects of these rates on remaining ratepayers. In the longer run, the Commission continues to believe that independent generation can make an important contribution to the state's supply of electricity. The Commission has refined its long-run program for utility purchase of such power, instituting an innovative system of bidding that will allow ratepayers to benefit from competition in electricity supply, while integrating such supplies in the state's utility infrastructure. Finally, the Commission continued to move ahead in its review of the construction of major utility plants, including major decisions on the San Onofre and Palo Verde Plants, and the release of the Public Staff Division's report on the Diablo Canyon Nuclear Plant.

In transportation, the Commission continued to evaluate the role and extent of competition in many areas. The Commission began implementing its new policy for the regulation of general freight. The Commission also paid major attention to the issue of truck and bus safety, and moved to coordinate more closely in enforcement with the California Highway Patrol.

In all industries, the Commission has faced the important issue of hazardous waste. The Commission has moved to assure that utilities will fulfill their obligations to society to control such materials without burdening ratepayers with unnecessary costs. Further, where the water sources of water utilities show contamination, the Commission continues to cooperate with other state agencies to allow an effective and timely regulatory response.

As we noted last year, competition has entered the utility business, for better or for worse. The Commission is committed to managing the inevitable transitions in order to maximize the potential benefits to the state and its economy, while maintaining the necessary regulatory protection to the state's ratepayers.

Stanley W. Hulett
STANLEY W. HULETT
President

Donald Vial
DONALD VIAL
Commissioner

Frederick R Duda
FREDERICK R. DUDA
Commissioner

G. MITCHELL WILK
Commissioner

John Ohanian
JOHN B. OHANIAN
Commissioner

THE COMMISSION

STANLEY W. HULETT
President

Stan Hulett was appointed to the Public Utilities Commission by Governor George Deukmejian on May 6, 1986, and on December 22, of the same year, was elected by unanimous vote as President of the Commission to serve a one-year term. Mr. Hulett also serves as a member of the California Transportation Commission, representing the PUC on that body.

Mr. Hulett was born in San Francisco on July 31, 1938, and is a fourth generation Californian. He was educated in public schools in Willits, Mendocino County, and graduated from Menlo College in 1958 and Stanford University in 1960 with a degree in Political Science.

After ten years in the lumber industry, he joined the staff of former representative Don H. Clausen (R-CA) as legislative assistant. He later served as Associate Director of the National Park Service and Deputy Director of the Interior Department's Bureau of Outdoor Recreation. Following government service he was a Vice President of the American Paper Institute in Washington, D.C., and Executive Vice President of the California Forest Protective Association in Sacramento, California.

Returning to government after the election of President Reagan, Hulett served the Department of the Interior as Assistant to the Secretary and Director of Congressional and Legislative Affairs. Hulett returned to California to serve as field representative for the Interior and also for the Secretary of Energy.

Hulett is married to the former Mary Ann Minenna of San Francisco. He is a member of the Executive and Electricity Committees of the National Association of Regulatory Utility Commissioners, and has served on numerous boards of directors of public organizations.

DONALD VIAL
Commissioner

Donald Vial was appointed to the PUC on December 21, 1982 by Governor Edmund G. Brown, Jr. to a six year term.

Prior to his PUC appointment, Commissioner Vial served for 8 years as Director of Industrial Relations for the State of California, and member of the Governor's Cabinet.

Following military service in Europe during WWII, he returned to California to complete his education at the University of California, Berkeley. He received a BA degree in Political Science and a Masters degree in Economics.

Commissioner Vial held various positions, ranging from Labor Economist to Director of Research & Education in the 13 years he was employed with the California Labor Federation, AFL-CIO, and its predecessor, the California State Federation of Labor, AFL.

In 1964 he combined the fields of education and labor to become chairman of the Center for Labor Research and Education at the Institute of Industrial Relations on the Berkeley campus of the University of California, where he remained until 1975.

Commissioner Vial has enjoyed several gubernatorial and legislative appointments in the past, such as, chairperson of the Program Advisory Committee to the California State Office of Consumer Counsel, 1963–66; member of the Hospital and Related Facilities Planning Committee, 1965–67, and member of the Advisory Council on Public Employee Relations, 1972–73.

He has served on numerous Boards of Directors; the Industrial Relations Research Association, the Consumer Research Foundation, KQED, ACLU of No. California, and California Association of Consumers. He belongs to the American Federation of Teachers (inactive status) and is widely published in a number of labor related publications.

Commissioner Vial resides with his family in San Rafael.

FREDERICK R. DUDA
Commissioner

Frederick R. Duda was appointed to the Commission by Governor George Deukmejian on Nov. 27, 1984 to fill the unexpired term of former PUC President Leonard M. Grimes, Jr.

Commissioner Duda was born in Chicago, Illinois. His education at the University of Illinois at Champagne was interrupted by the Korean War, in which he served with the 69th Topographic Engineering Company. After his honorable discharge from the U.S. Army, he returned to college. He received his B.S. Degree in Management and Economics at the University's School of Commerce. At Illinois, Commissioner Duda was on the President's Scholastic Honor Roll and was a member of the University's Scholastic Honor Society.

He worked as a manager for Montgomery Ward & Co. from 1951 to 1954. From 1954 to 1959 he was a marketing executive for the Shell Oil Co.

He attended the University of San Francisco Law School and received his JD Degree in 1959. In private law practice over a 25-year period Commissioner Duda's legal career included a variety of specialized legal work: criminal law, negligence, warranty, product liability, and maritime and admiralty matters. He served as General Counsel for Local 192 of the Amalgamated Transit Union, AFL-CIO, which represents 2,000 AC Transit workers. He has served as Judge Pro Tem in the Hayward-San Leandro Judicial District Municipal Court and as an arbitrator for the American Arbitration Association and Superior Court of Contra Costa County.

In East Bay communities Commissioner Duda has served on the Board of Directors for Children's Hospital Foundation, the Fred Finch Youth Center, United Bay Area Crusade (Board of Trustees), Oakland Symphony Orchestra Association and as President of various clubs including Kiwanis Club of Lake Merritt and the Lake Merritt Breakfast Club. He also served as lieutenant governor of Division Two of the Cal-Nev-Ha District of Kiwanis International.

In addition, he founded and was chairman and coordinator of an Oakland drug abuse prevention and education program for elementary and high school students. He has also served as Director of the Alameda-Contra Costa Committee for Employment of the Handicapped. He won the Kiwanis Club "Man of the Year" award in 1967.

He is presently a member of the Commonwealth Club of California. He is Of Counsel to the law firm of Duda, Rahim and Ratto, a Professional Corporation and continues to serve as President and trustee of Frederick R. Duda Professional Corporation and its Retirement Trust.

He is a general partner of the Allen-Duda Real Estate Investment and operating partnership of Orinda, California. He is married to Barbara Benjamin Duda, his wife of 35 years. They have two married sons, Russell Elliott Duda of Oakland, California and William Eric Duda of Atlanta, Georgia.

G. MITCHELL WILK
Commissioner

G. Mitchell Wilk was appointed to the Public Utilities Commission on December 16, 1986 for a six-year term by Governor George Deukmejian.

Prior to his appointment to the Public Utilities Commission, Commissioner Wilk served as Special Assistant to the Governor's Chief of Staff in the Deukmejian Administration following his initial appointment in February 1984 as Deputy Legislative Secretary to the Governor responsible for business, labor, and consumer affairs legislation.

Commissioner Wilk was born and raised in Summit, New Jersey. He attended American University in Washington, D.C. where he received both his Bachelor's and Master's degrees in finance and economics. During his undergraduate studies, he was employed on the staff of Congressman William E. Minshall.

Following his undergraduate education, Mr. Wilk served in the U.S. Army from 1969–72, during which time he was assigned to the 8th Special Forces Group in the Panama Canal Zone, and later with the Pentagon's Congressional Liaison Division.

Upon his Honorable Discharge from the military, Commissioner Wilk was employed with GEICO Insurance Companies in Washington, D.C. in a variety of management and senior staff positions. He later became a Financial Consultant with Arthur Young & Company in Washington, D.C. where he participated in a variety of federal government consulting projects.

In 1977, Mr. Wilk became a Financial Analyst and federal lobbyist for the American Insurance Association specializing in taxation and investment issues pending before Congress and regulatory agencies. In August 1979, he accepted a position with Fireman's Fund Insurance Companies in San Francisco as Assistant Vice President of Government Relations, where he had nationwide responsibility for government and public affairs.

Commissioner Wilk currently makes his home in Tiburon, California.

JOHN B. OHANIAN
Commissioner

John B. Ohanian was appointed to the Public Utilities Commission by Governor George Deukmejian on March 4, 1987. His term of office will be for six years.

Commissioner Ohanian was born in Alexandrette, Turkey, on August 29, 1937. He was raised in Beirut, Lebanon. He came to the United States for his college education. He attended the California State University in Fresno from 1959 to 1963. From 1963 to 1965 he attended the Northrop University in Los Angeles where he received his Bachelor of Science Degree in Mechanical Engineering.

Upon graduating, Commissioner Ohanian was employed by the Teledyne Corporation as a research and development engineer. From 1966 to 1969, he was employed by the State of California Water Resources Department as a mechanical engineer. There, he designed portions of the California Aqueduct system and its respective pumping plants.

From 1969–1983 Commissioner Ohanian was employed by the California Public Utilities Commission in the Transportation Division. He served as an expert witness in numerous Commission proceedings.

In 1983, Commissioner Ohanian was appointed by Governor Deukmejian to his Office of Planning and Research as the Chief Deputy Director and as Director of the Office of Permit Assistance.

Commissioner Ohanian resides in Fresno with his wife Eileen, his daughter Nicole, and his son Shant.

VICTOR CALVO
Commissioner

Victor Calvo was appointed to the Public Utilities Commission on February 19, 1981 for a six-year term by Governor Edmund G. Brown, Jr. He is a lifelong resident of Santa Clara County, educated in local public schools. He served as a combat pilot in World War II, and received a B.A. degree in Political Science from Stanford University.

Vic Calvo served the City of Mountain View for a total of 11 years—first as planning commissioner, then as a city council-member, and later as mayor. He then served for six years as Santa Clara County Supervisor and was also the Board's representative to the Bay Area Air Pollution Control District and the Executive Committee of the Association of Bay Area Governments. He also was chairman of the Urban County Division of the National Association of Counties.

Vic Calvo was elected to the Assembly in November 1974, reelected to a second term in November 1976, and a third term in November 1978. He represented the 21st Assembly District which includes northern Santa Clara County and a portion of southern San Mateo County.

After two years, he was appointed Chairman, Assembly Resources, Land Use & Energy Committee. One of the major committees in the Assembly, this committee deals with the vital issue of state energy policy.

Vic successfully legislated in a diversity of legislative areas of interest—having over 50 measures signed into law. His major bills were in the areas of business, energy, environment, social welfare, transportation and education.

His work outside of government includes general investments and sole ownership of a retail lumber and building material yard. He also was recently elected to the Board of Directors of a local bank.

He is married to the former Nellie Quintero. They have five children: Suzanna, Victor, Peter, Theodore and Mary.

Commissioner Calvo's term ended in December 1986.

PRISCILLA C. GREW
Commissioner

Dr. Priscilla C. Grew was appointed to the PUC on March 25, 1981, by Governor Edmund G. Brown Jr. for a six-year term.

From 1977 to 1981, Dr. Grew was Director of the California Department of Conservation which regulates oil, gas and geothermal well operations and performs geothermal resources assessments in the state.

She chaired the State Geothermal Task Force in 1977–78 which formulated recommendations to accelerate geothermal development in California. Her experience in the geothermal energy field also includes service from 1972 to 1977 as a consultant and visiting staff member at the Los Alamos Scientific Laboratory, where she worked on geological aspects of the innovative hot dry rock technology.

From 1971 to 1977, she was Assistant Research Geologist at the Institute of Geophysics and Planetary Physics at UCLA. Her research has included studies of metamorphic rocks, earthquakes, and coal resource development in the Colorado River Basin.

Dr. Grew received her Ph.D. in Geology from the University of California, Berkeley, and her B.A. in Geology from Bryn Mawr College. She has taught geology and environmental studies at Boston College, U.C. Davis and UCLA.

Dr. Grew serves on the National Research Council Board on Mineral and Energy Resources and the National Advisory Committee to the U.S. Geological Survey.

Dr. Grew resigned November 1, 1986.

California Public Utilities Commission

ENERGY

GAS COST ALLOCATIONS

In a series of major decisions, of which D.86-12-009 and D.86-12-010 are the most recent, the Commission laid the groundwork for the most significant restructuring of natural gas rates since the mid-1970's. These decisions will produce a major shift from predominately value-of-service-based gas pricing to cost-of-service rates. This restructuring is intended to increase price competition for gas suppliers selling in the California market.

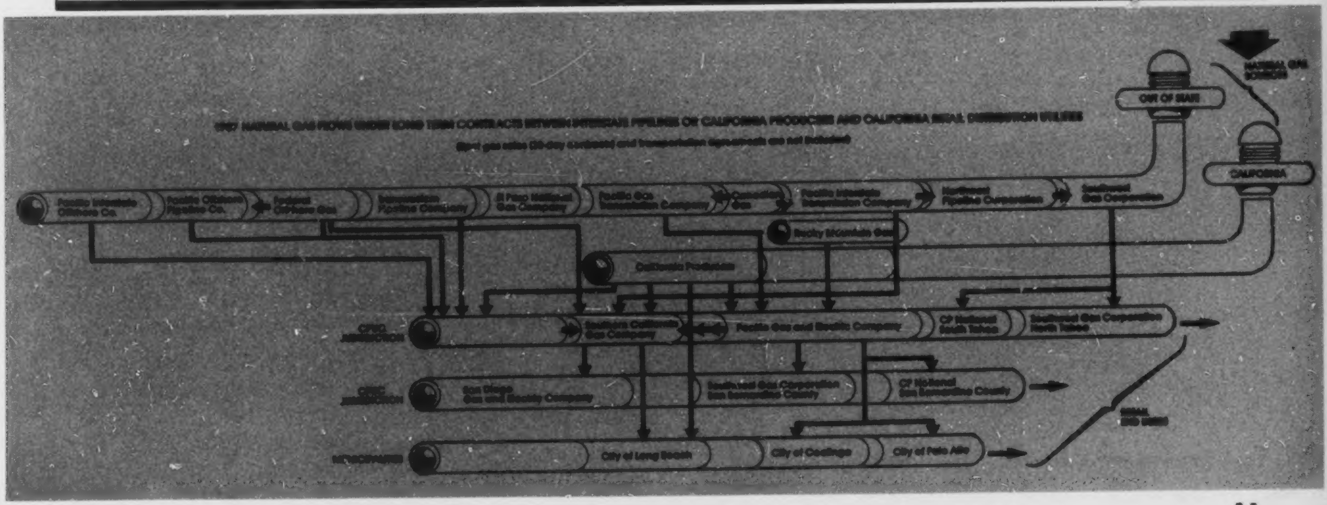
Gas Rate Design Implementation

Although the decisions set no final rates, they established policies by which gas rate design would be implemented.

The rate design for the "core" (residential) customers gives the same average rate to the residential class and the commercial class.

"Non-core" customers, who have fuel alternatives, would be served on an interruptible basis. The rates are set on an "unbundled" basis; there are separate charges for gas, customer demand and service.

PUC staff continued working on implementation rates based on the decisions. Each gas utility has filed rate proposals, and a final Commission decision is expected by the end of 1987.


Out of State
California
Pacific Interstate Offshore Co.
Pacific Offshore Pipeline Co.
Federal Offshore Gas
Transwestern Pipeline Company
El Paso Natural Gas Company
Pacific Gas Transmission Company
Canadian Gas
Pacific Interstate Transmission Company
Northwest Pipeline Corporation
Southwest Gas Corporation
Rocky Mountain Gas
California Production
CPUC Jurisdiction
Southern California Gas Company
Pacific Gas and Electric Company
CP National South Tahoe
Southwest Gas Corporation North Tahoe
CPUC Jurisdiction
San Diego Gas and Electric Company
Southwest Gas Corporation San Bernardino County
CP National San Bernardino County
Municipalities
City of Long Beach
City of Coalinga
City of Palo Alto

Electric Bypass and Special Contracts

In late May, the Commission announced four general policies aimed at introducing more competitive elements into the regulation of electric utilities and reducing the amount of bypass in the future.

Bypass refers to the ability of some large industrial customers to generate their own electricity and thus to leave the electric utility's system. Because the large fixed costs of the system are shared by all customers, when some customers leave the system, the remaining customers must bear a larger share of these fixed costs.

First, the Commission stated that it would continue to bring rates for each customer class closer to the costs the utility incurs in serving that particular class. In recent years, large industrial customers have tended to pay proportionately more for their electricity, increasing the desirability of bypass for such customers.

Second, the Commission eliminated the Attrition Rate Adjustment (ARA) for large customers. The ARA compensated the utilities for inflation and related costs, but it reduced the utilities' incentive to improve productivity.

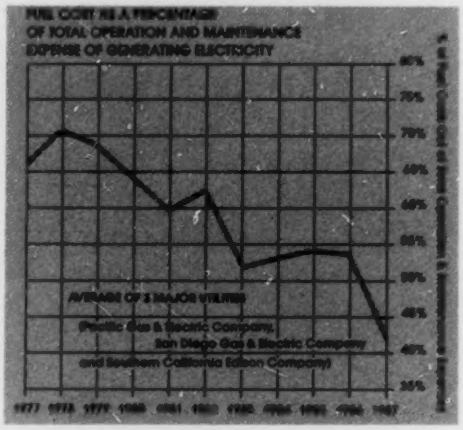
Third, the Commission eliminated the Electric Revenue Adjustment Mechanism (ERAM) for large industrial customers. The ERAM protected utilities from competitive pressures, and the Commission's action introduced more market pressures into the utilities' operations.

Fourth, the Commission gave the utilities greater flexibility in setting prices to meet the needs of individual large customers, to keep potential bypassers on the system.

Commission Orders Annual Return on Equity Reviews

The Commission has modified the Rate Case Plan to extend the interval between general rate cases for energy utilities from two years to three years, and ordered modifications to the Attrition Rate Adjustment (ARA) mechanism.

Beginning with the 1986 attrition year, the ARA advice letter filings of all major energy utilities reflected, among other things: an updated financing plan, an updated forecast for new debt costs, and an updated calculation of the embedded cost of debt. The Commission also ordered an annual review of the return on equity for each utility filing an ARA advice letter.



More Efficient Proceedings

A new policy of attempting to reach negotiated settlements with utilities as an alternative to lengthy and often costly litigation has been established.

In 1987, a settlement was reached with Southern California Gas Company in which the utility agreed to reduce its request for the amount of revenue to be collected from ratepayers in 1988 by approximately $170.3 million. This negotiated settlement significantly reduced the Commission's administrative burden while achieving a very satisfactory settlement for the ratepayers.

A stipulation agreement was reached between the Public Staff Division and the utilities authorizing a 14.60 percent return on equity for attrition year 1986 for PacificCorp, Southern California Gas, Southern California Edison, and Pacific Gas and Electric companies. As part of the stipulation, SoCal Gas, Edison, SDG&E, and Sierra Pacific Power Company were authorized a 13.90 percent return on equity for attrition year 1987.

TAX SIMPLIFICATION LAW COMPLICATES RATEMAKING

The federal government "simplified taxes" by passing the Tax Reform Act of 1986. The Act had a significant impact on all public utilities, particularly water companies. Utilities and the PUC participated in workshops and hearings in an attempt to work out the new tax laws.

The Commission, in Order Instituting Investigation 86-11-019, divided the ratemaking tax ramifications into two phases. The first phase would decide how to treat the federal income tax now imposed on Contributions in Aid of Construction (CIAC) and the second phase would consider all other aspects of the new laws.

Prior to the Tax Reform Act, CIAC were not considered income to the utility receiving them. The Act treated CIAC as income and consequently, the utility had to pay taxes on them. For instance, on a $1,000 contribution, the utility had to pay a tax of $340 and, in order to be made completely whole, had to collect $670 in addition to the $1,000.

The effect of the Tax Reform Act is to generally reduce the level of federal income tax collected by utilities in rates in 1987 and subsequent years. Over $500 million may be subject to refund to ratepayers as a consequence of the tax reductions authorized by the Act.

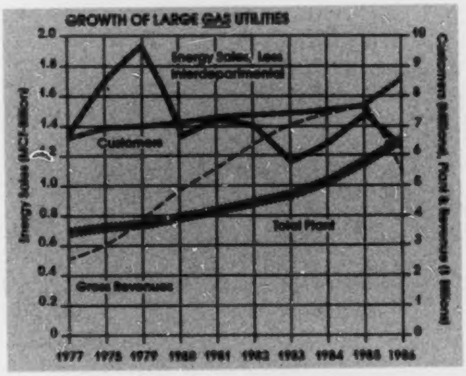
Other tax issues encountered during 1986–87 were the appropriate ratemaking treatment to apply to the recovery of decommissioning costs in rates; the cost recovery for PG&E's Humboldt nuclear plant; and the tax issues created by the elimination of the Gas Exploration and Development Adjustment for certain energy utilities.

Electric Marginal Cost and Revenue Allocation

In a combination of decisions involving Pacific Gas and Electric Company's (PG&E's) fuel offset proceeding, A.86-04-012, rate reductions totaling $422.8 million or 8.0 percent were ordered. These decreases were principally due to a decline in oil and natural gas prices.

In addition, dramatic strides towards the Commission's goal of marginal cost pricing were implemented by these decisions. As a result, rates more closely aligned with cost-of-service were adopted. While all customer classes received decreases, the movement toward cost-based rates caused the most significant decreases to be realized by the large light and power class.

Finally, marginal cost pricing was also used to design rates within customer classes. This resulted in a major restructuring of PG&E's rates in an attempt to charge customers based on the costs they cause PG&E to incur.



Public Staff Recommends Disallowing $4.4 Billion of Diablo Canyon Nuclear Plant Costs

In May 1987, the PUC Public Staff Division's Diablo Canyon Team recommended that of the $5.518 billion that PG&E spent before commercial operation of Diablo Canyon Nuclear Power Plant, the utility should only be allowed to collect $1.150 billion in rates. This recommendation is based on the cost of comparable nuclear plants that began construction at the same time as Diablo Canyon. The PSD study of Diablo Canyon is the product of three years of extensive review and consists of over 17,000 pages of expert testimony and supporting documents.

The Public Staff Division asserts that when PG&E began construction of the two-unit nuclear plant in the late-1960's, the plant was projected to cost $320 million and to be in operation by the mid-1970's; by the time both units began producing power in 1986, the cost of the plant had grown to $5.5 billion. An additional $300 million was spent on capital additions after commercial operation. The Public Staff Division alleges that unreasonable management was to blame for a large part of this cost overrun.

Although the PSD study has been completed, PG&E and other interested parties will have their say before the Commission. Hearings are expected to begin early in 1988 and a Commission decision may be made by mid-1989.

Nuclear Facility Decommissioning Cost

Decision 87-05-062 permits PG&E, Edison, and SDG&E to take advantage of federal tax provisions to deduct currently future nuclear power plant decommissioning costs which are reflected in rates. The power plants covered are Diablo Canyon, San Onofre, and Palo Verde.

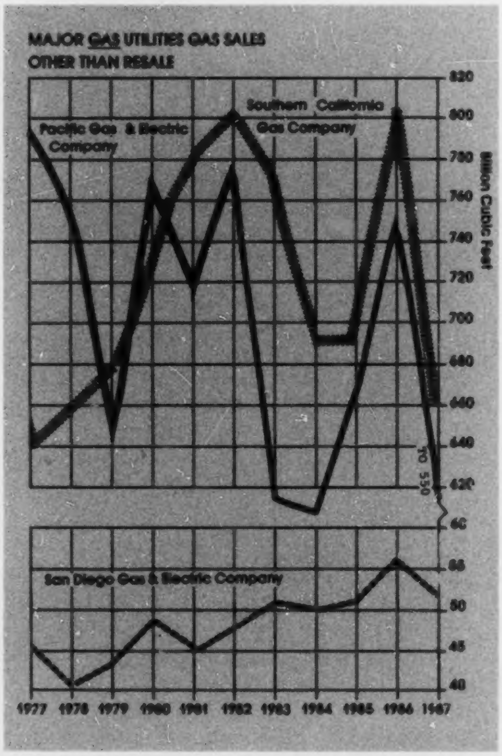
The amounts deducted are transferred to special trust accounts, also authorized by the decision, and are invested to provide additional funds for decommissioning. The funds at their highest level could hold as much as $20,000,000,000. Decommissioning of the first unit is expected to start in the year 2002 and the final unit in 2026. When decommissioning of the final unit is completed, the fund will be depleted.

SONGS UNITS 2 & 3 REASONABLENESS REVIEW

In October 1986, after 95 days of hearings, the Commission issued its decision on the reasonableness of the investment in San Onofre Nuclear Generating Station (SONGS) Units 2 and 3 owned and operated by Edison, SDG&E, and the cities of Anaheim and Riverside. The Commission determined that a total of $344.6 million of the $4.5 billion cost of building SONGS 2 and 3 was imprudently incurred and should not be recovered from ratepayers.

The $334.6 million disallowance consisted of a 179 days unreasonable delay disallowance for each unit totalling $215.7 million; $20.3 million in excessive costs in the area of Quality Assurance and Quality Control; $10 million in excessive costs for failure to monitor productivity effectively; and an indirect cost disallowance of $98.6 million associated with the disallowed specific costs and costs of delay.

Applications for rehearing of this decision have been filed by Edison, SDG&E, and the California Coastal Commission.



Integration of Qualifying Facilities with Utility Operations

During 1984–85, California experienced tremendous growth in the number of independently-owned generation projects that signed contracts with utilities. The Commission continues to ensure that these projects are successfully integrated into the normal operations of the utilities.

An ongoing effort has been made to encourage Qualifying Facilities (QFs), or third party producers, to generate their power when it is most needed by the utilities and also to reduce their generation when the utilities have little need for it.

To achieve this goal, the Commission introduced a new type of contract for Qualifying Facilities, called Standard Offer #4, which matches the amount and type of power from QFs to the utilities' need for such power. In addition, the Commission adopted a bidding procedure for this contract. This causes potential QFs to compete against each other for the right to supply this power, resulting in even lower prices to the ratepayers.

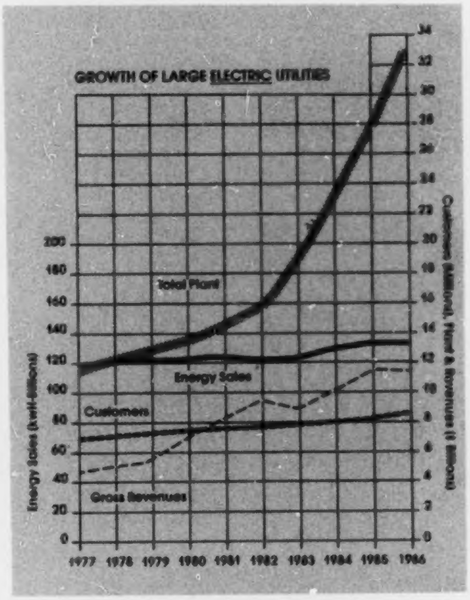
Decisions 86-07-004 and 87-05-060 create a final Standard Offer #4 based on utility resource plans filed every two years following the latest adopted Electricity Report from the California Energy Commission. There is a bidding process to allocate contracts in case of a surplus of qualifying facility projects.

Short-Run Avoided Cost of Electricity

Before developing a new Standard Offer #4 for long-run payments, the Commission's Public Staff Division (PSD) established Standard Offers for short-run payments and is currently updating the incremental energy rate portion of the short-run pricing formula. This annual updating procedure increases the accuracy of forecasting system operations and thus the accuracy of price signals to QFs.

In a related proposal to increase accuracy in QF energy payments, PSD continues to support Real Time Pricing (RTP). RTP is PG&E's proposal to calculate IERS based on recorded system, incremental costs rather than forecasted incremental costs.

Another element of the short-run pricing formula, the avoided fuel price, is also under review. With the Commission adoption of cost-based gas rate design, PSD can now determine what portion of gas costs are avoidable due to the supply of QF energy, and will present its proposed methodology for calculating short-run avoided fuel costs in fall 1987.

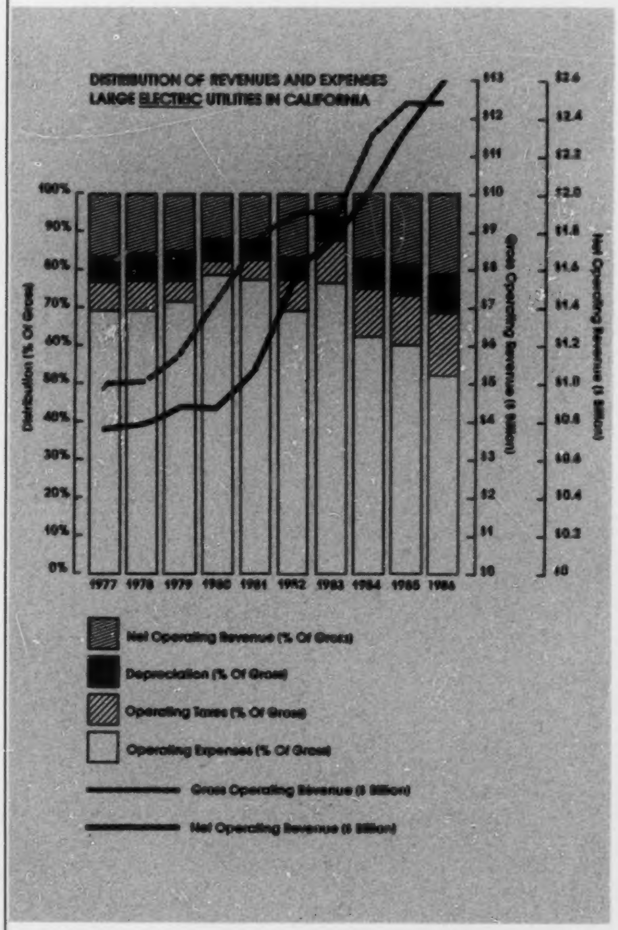


PUC/CEC Coordination

Considerable effort has been made to coordinate the efforts of the two state agencies in charge of energy matters, the California Energy Commission (CEC) and the PUC. An example of this cooperation is the joint CEC/PUC hearings on oversupply held in response to SB 1970.

The completion of several power plant additions (e.g., Diablo Canyon, SONGS, the Helms Pumped Water Project, Intermountain power plants, Palo Verde), the general reduction in the demand growth, the success of specific conservation and load management programs, and the rapid development of the QF industry have resulted in a temporary glut of generating resources available to the utilities in California. This excess of resources could cause a substantial increase in near-term rates consumers pay for electricity. The CEC and PUC will together conduct hearings in September 1987 to determine the magnitude of this problem. A report to the Legislature will be made by the end of the year.

In addition, the PUC is working with the CEC and other parties to refine the methodology used by both agencies and California utilities to evaluate the cost-effectiveness of demand-side management programs. A report to the Commission is being prepared on the results of workshops held in 1986 and 1987.



Long-Term EOR Contracts

For the first time, the Commission approved special gas utility contracts with oil producers for Enhanced Oil Recovery (EOR) operations to allow gas utilities to transport customer-owned natural gas for use in EOR facilities. This includes gas used for combined EOR/cogeneration facilities under the terms of a negotiated Gas Transmission Service Contract.

With the EOR contracts, the PUC has put in place a regulatory framework that enables the utilities to serve EOR producers at a price not matched by the interstate pipeline applicants. The utilities can serve the EOR market competitively and negotiate transmission rates down to a floor of 1 cent per therm; and they can negotiate long-term contracts of up to 20 years.

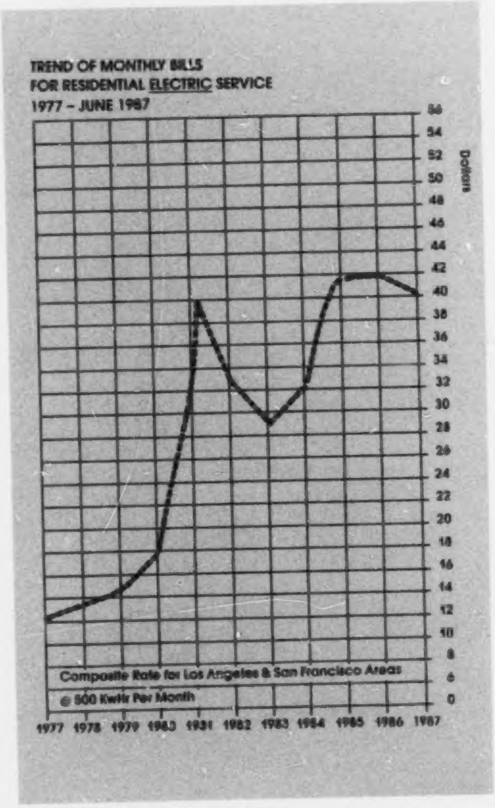
The EOR market is attractive because it represents incremental load at a time when SoCal Gas and PG&E have excess capacity to serve this load. As long as the rates negotiated with EOR customers exceed the marginal cost of service, all ratepayers will benefit from the additional contribution to cover the utilities' fixed cost.

BPA Sales Policy Adversely Affects California

The Commission discovered in June 1986 that the Bonneville Power Administration (BPA) and other utilities in the Pacific Northwest (PNW) were spilling large amounts of water that could be used to generate electricity that could be transported to California over PNW transmission lines. BPA's explanation for not generating electricity for sale to California was, among other things, that there was insufficient demand for the energy at the rate then established, and they were unwilling to lower the rate to expand sales, even though the rate schedule provides for lower rates. This is part of BPA's rate design policy to maximize revenues on sales to California.

The BPA is an agency of the U.S. Department of Energy responsible for marketing electrical power generated at federally-owned power plants in the Pacific Northwest.

The Commission filed protests with the Federal Energy Regulatory Commission and Congress over this issue, and is continuing to pursue remedies for the overcharges, rate design, and Intertie Access policy which cause this problem.



PACIFIC NORTHWEST POWER FOR CALIFORNIA

The Commission continues to resist efforts by the Bonneville Power Administration (BPA) to exact the highest prices possible from California for electrical power from the Pacific Northwest. The BPA is an agency of the Department of Energy responsible for marketing electrical power generated at federally-owned power plants in the Pacific Northwest. The Commission has appeared before the BPA, the Federal Energy Regulatory Commission and various federal courts to argue that such an attempt by the BPA is contrary to the Federal Energy Regulatory Commission and various federal applicable law, sound economics, and good public policy. A sufficient supply of reasonably priced electricity can serve to reduce California's use of thermal resources such as coal, oil, and natural gas.

Declining Rates of Return

During this fiscal year, utilities took advantage of the declining level of interest rates by replacing their high-cost bonds with less costly new issues. Moreover, new financings were issued during this period of favorable financial markets. As a result, the embedded costs of senior securities for most utilities declined during this period, resulting in lower rates of return.

Because current economic and market conditions have stabilized, the Commission also reduced the authorized earnings allowances on equity capital. The downward movement in the average returns on equity for the various utility groups since 1984 were as follows:

	1984–85	Change	1986–87
Energy	16.00%	(2.10%)	13.90%
Telephone	16.00%	(1.75%)	14.25%
Water	14.50%	(1.75%)	12.75%

Regulatory Innovations

The PUC approved a stipulation on Southern California Edison's proposed Villa Park-Lewis & Barre Transmission Line that will go through the parking lots of both Disneyland and the Disneyland Hotel.

The agreement allows Edison to construct the portions of the project that do not cross the Disney and Disneyland Hotel properties, and calls for all parties to jointly study the costs and methods for undergrounding the line through the two parking lots. In exchange, the two corporations have agreed to the concept of bearing the costs of undergrounding the three existing lines running across the parking lots, and to pay their fair share of undergrounding the new line. The undergrounding study is expected to be complete by July 1987.

California Oregon Transmission Project

The state's three largest investor-owned electric utilities, PG&E, Edison, and SDG&E, filed applications for a Certificate of Public Convenience and Necessity for the proposed California Oregon Transmission Project. After a 30-day review, the applications were rejected as incomplete.

The major deficiencies identified were: inconsistent treatment of the Los Banos-Gates Project; the analyses were not based on the certain forecasts developed by the California Energy Commission; and lack of engineering data.

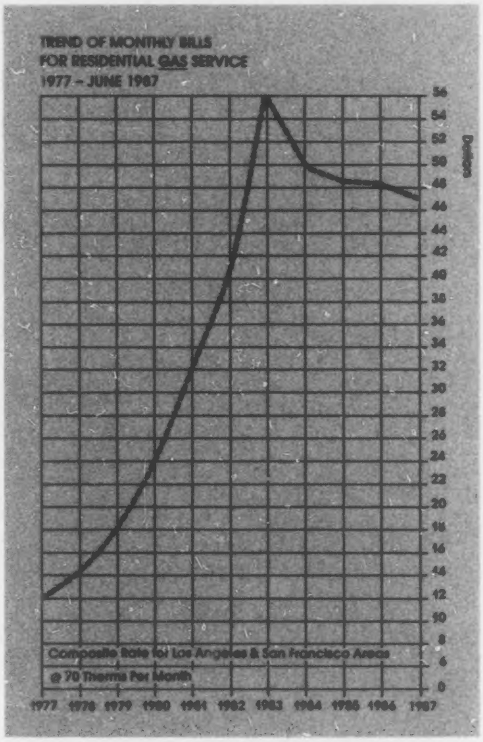
In spite of these rejections, the Public Staff Division is preparing for an extensive and expedited review of the applications when they are refiled, possibly in fall 1987.

Review of the Southwest Powerlink

In 1985, the PUC ordered special ratemaking treatment of SDG&E's power purchases from utilities in the Southwest over its 500 kV transmission line called the Southwest Powerlink (SWPL). In 1986, the PUC ordered an investigation of SDG&E's power purchases over SWPL and a rehearing of limited issues regarding the SWPL tracking account ratemaking mechanism. A Commission decision is due by the end of 1987.

Devers-Palo Verde #2 Transmission Line Hearings

In Commission hearings, the Public Staff Division recommended that Edison's proposed Devers-Palo Verde #2 transmission line should not be approved, primarily because of apparent overstated benefits from Southwest economy energy purchases. Edison's analysis had relied on historic data that suggested the average price of economy energy from the Southwest was about 62 percent of Edison's cost of natural gas. PSD analysis found that while this 62 percent relationship was true in the past, gas prices had dropped so dramatically in the last two years that Edison's costs of running its own system in off-peak hours was now cheaper than most economy energy from Southwest plants.

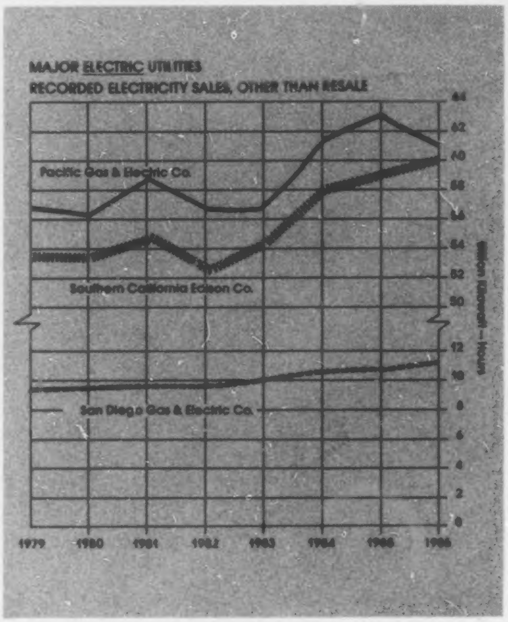


Study of Undergrounding Electric Transmission Lines

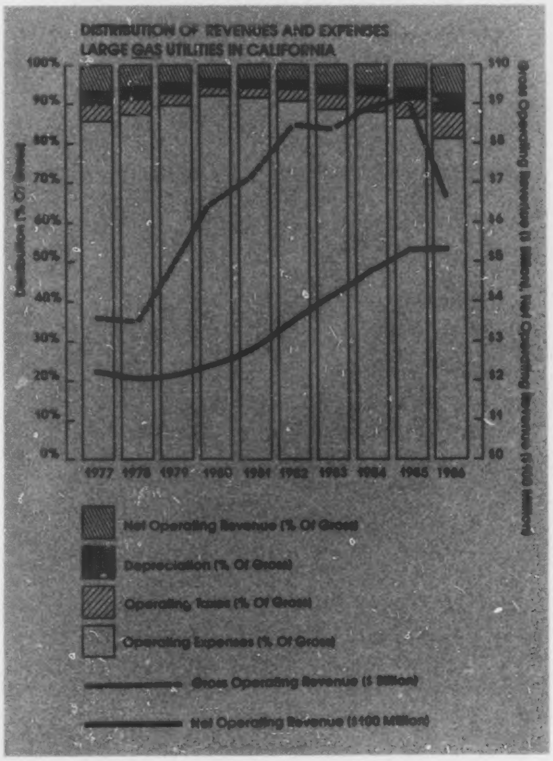
The PUC is reviewing two applications for a Certificate of Public Convenience and Necessity for electric transmission lines that involve the use of undergrounding as a mitigation measure for visual or land use impacts. Because the cost of undergrounding is approximately ten times higher than overhead construction, an informed decision on whether to underground or how much to underground relies heavily on an understanding of the technology and its cost. The PUC has commissioned a comprehensive study to increase its understanding of undergrounding technologies and costs.

WESTERN SYSTEMS POWER POOL

Twenty-two utilities in the 11 western states received approval from the Federal Energy Regulatory Commission (FERC) to undertake a two-year experiment. The experiment began May 1, 1987 to test the impacts of giving the utilities wide latitude in setting their own prices for generation and transmission services sold to other utilities.



This is the second such experiment to be authorized by the FERC to test the impacts of increasing deregulation of electricity at the wholesale level. The Commission has keen interest in this experiment and will continue to monitor its progress.



BPA's Proposed Long Term Intertie Access Policy

The Bonneville Power Administration (BPA) proposes to replace its current Near Term Intertie Access Policy with a Long Term Intertie Access Policy. Because of the environmental impacts of this long term policy, along with BPA's intentions to expand the Pacific Interties in the Pacific Northwest, BPA issued for comment an Intertie Development and Use Draft Environmental Impact Statement to which Commission staff responded. BPA has announced that it expects to issue its final Long Term Intertie Access Policy in the fall of 1987.

RD&D

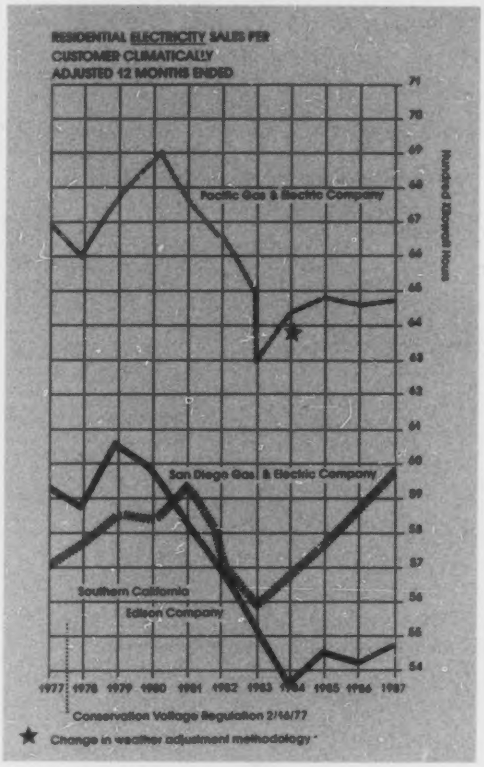
PG&E, SDG&E, and Edison have excess peak demand capability and do not need to achieve any significant demand reduction between now and 1990. However, the PUC has ordered the utilities to continue most of their load management activities and eliminate only those activities which have short lead times for installation, are not cost-effective, or will require significant changes in conditions before they become cost-effective.

The PUC staff and the utilities have worked out a proposal as part of a new process for reviewing Research, Development and Design (RD&D) projects. Currently, RD&D projects are reviewed as part of the utilities' general rate cases. The proposal would take RD&D out of the general rate case proceedings and review all utilities' RD&D budgets in one proceeding, held every two years. This would enable the Commission to better address the direction and goals of RD&D and the benefits these programs will have on a statewide basis.

CONSERVATION EXPENDITURES SHOW ENERGY PAYBACK IN LESS THAN TWO YEARS

The investor-owned energy utilities spent $321 million on conservation and load management programs in 1986 with incremental energy savings equivalent to 8,300,000 barrels of oil and incremental peak electrical load reductions of almost 800 MW.

The $321 million spent on conservation is 15 percent less than it was in 1985. Declining energy costs have tended to make conservation programs seem less critical. However, energy conservation is still necessary to stretch our finite fossil fuel reserves.



Electric System Conservation Provides Across the Board Benefits

Electric system conservation benefits electric utilities and every customer from the small residential customer to the large industrial user. Thus, electric system conservation projects have across the board benefits.

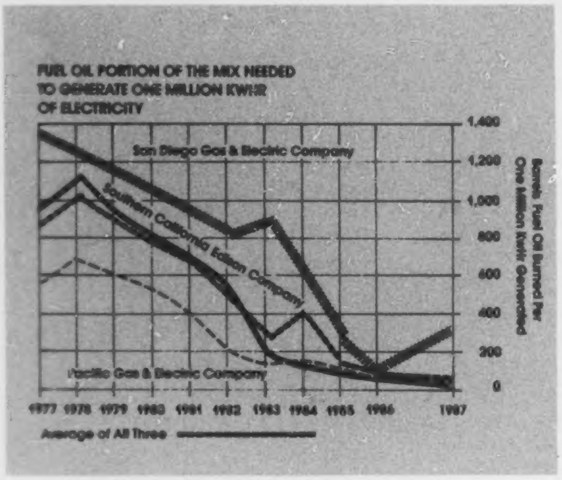
For example, Conservation Voltage Regulation (CVR) improvements added incremental energy savings in 1986 of 49,934,000 kWh at a cost of $7.8 million—a first year cost of approximately 15.6 cents/kWh. The costs are easily recouped over the expected life of the CVR improvements. Similarly, Distribution Circuit Management (DCM), often carried out by electric utilities at their own initiative as a part of their modernization and upgrading efforts, resulted in incremental energy savings of 12,333,000 kWh at a cost of $15.5 million. Here too, the costs are recovered over the lifetime of the DCM improvements which generally exceed 25 years.

In 1986, Pacific Power and Light Company completed its conversion of streetlights from incandescent to mercury vapor. Southern California Edison is completing a program similar to streetlight conversion but which involves many smaller customers. These lighting conversion programs provided incremental savings of 2,298,000 kWh in 1986 at a cost of $405,000.

PG&E's ZIP Program Ends

PG&E's ZIP (Zero Interest Program) loan program ended in December 1986. In the future, PG&E's home conservation program will focus on energy efficient appliances and home builder programs. PG&E will also give 10,000 rebates of $75 each for home insulation, and expand its program for low-income customers.

In addition to its on-going program of individual weatherization of homes, PG&E will undertake community weatherization of large blocks of homes. Energy education focusing on the basics of conservation remains available.



Solar Demonstration Program

The Solar Financing Demonstration Program ended in April 1985. Under this rebate program, approximately 285,000 single and multi-family solar units were installed. Total program costs for the four-year program, as of December 1986, were around $180,392,000.

The table shows the goals and achievements of the program in statistical form. SoCal Gas was the sole participant offering a single family loan program, while Edison participated only in the single family electric rebate phase. All four major utilities were participants in the low income grant phase of the program.

Solar Demonstration Program

Items	*No. of Units* *Goals*	*No. of Units* *Actual*	*Percentage of Goals Achieved* *(%)*	*Actual Expenses* *($ Millions)*
Single Family—Electric	70,940	21,410	30.2%	$ 15.11
Single Family—Gas*	36,533	32,133	88.0	60.2
Multi-Family	264,724	222,992	84.2	56.0
Low-Income Grants	8,276	8,142	98.4	6.2
Administration@	–	–	–	42.9
Totals:	380,473	284,677	74.8%	$180.4

* Includes 9,310 SoCal Gas customers who received loans.
@ Includes $7,449,823 discount from sale of solar loans.

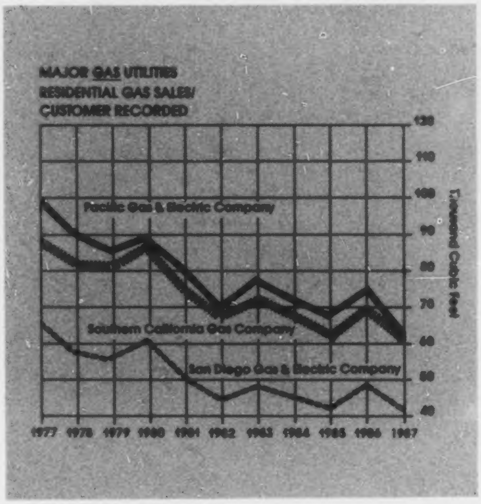
Industrial Load Shaping—New Alternative Program for Industrial Customers

Industrial Load Shaping is a new alternative offered to the large industrial customers to encourage their use of energy during off-peak periods. The customer is offered an incentive based upon the amount of demand reduction achieved by shifting usage from the on-peak to the off-peak period.

New Policy for Time-Of-Use Rates

State legislation mandated that Time-Of-Use (TOU) rates be made available to all agricultural classification customers who request such service.

During PG&E's 1986 general rate case, the PUC ordered PG&E to install 20,000 TOU meters across all customer classes, but deferred installation of residential TOU meters until 1988 when the cost of the meter is expected to be less than $200. Similar orders may be issued to SDG&E and Edison in appropriate future proceedings. PG&E as well as SDG&E and Edison have been working with various meter manufacturers in developing and testing TOU meters. Although the results have been acceptable, design modification and testing are still in progress.



Real-Time Pricing Initiated as an Additional Load-Management System for PG&E

RTP is the practice of continually updating electric energy charges to reflect the actual cost of producing and delivering electricity at the time it is used. RTP can be viewed as a refinement of Time-Of-Use rates.

In 1986, the PUC required PG&E to redesign the hourly rate algorithm to be consistent with the Commission's policy of designing rates on an Equal Percentage of Marginal Costs basis. In 1987, the Commission approved PG&E's revised RTP algorithm and extended the utility's tariff through 1990.

Hazardous Waste

Electric and gas utilities are facing increasingly stringent environmental regulations pertaining to hazardous substances and hazardous wastes.

During 1986–87, the PUC designed new ratemaking procedures for PG&E which allow PG&E to file special applications for expected hazardous waste expenses, as those expenses become clearer. A similar approach was adopted for SoCal Gas and Edison. The PUC expects the hazardous waste issue to increase in complexity and dollar amounts over the next year.

Diversification of Utilities into Non-Regulated Areas

California utilities have been diversifying into non-regulated areas and the PUC has been analyzing these ventures. The Commission has adopted conditions for SDG&E which include reporting requirements for accounting, asset and personnel transfers, and capital structure and are intended to secure the benefits of a successful diversification strategy for the utility's investors and ratepayers. The PSD recommended that the same conditions be applied to Edison.

EEDA

The Commission issued a decision adopting a joint stipulation agreement to end Energy Exploration and Development Adjustment properties by PSD, Edison, and SDG&E which will save ratepayers millions of dollars over the next few years.

GEDA

The Gas Exploration and Development Adjustment (GEDA) was a mechanism whereby ratepayers financed gas utility exploration and development of gas reserves. The program was established during the gas shortage of the 1970s in the belief that California faced a significant and permanent shortfall of gas supplies. The Commission ended the program in 1985. Disposal of utility GEDA properties has started and is expected to be completed by summer 1987.

Federal Energy Regulatory Commission Hearings on PURPA

The Federal Energy Regulatory Commission (FERC) held hearings this year to address the need for changes to the Public Utilities Regulatory Policy Act (PURPA). PURPA was passed in 1978 and (in parallel with similar state law) requires utilities to buy power from non-utility companies.

The implementation of PURPA in California has not been devoid of problems, however on the whole the program has been a success. Both the CEC and the PUC stated at the hearings that PURPA did not require modifications at this time, and that the problems that have arisen would be handled best at a state level.

System Modelling

AB 475 requires the Commission's Public Staff Division to evaluate computer models the utilities and other parties use in PUC proceedings. Public Staff is validating the generation production cost models used by the utilities and the Commission's Public Staff against historical-year operations, and comparing them with each other, in order to verify the models' accuracy. Staff will continue working on the project through 1987.

In addition, the Public Staff Division is developing evaluation criteria for comparing different models and will be evaluating the mathematical algorithms used by the various models. The algorithm evaluation will include setting up sensitivity and other tests to determine the impacts of algorithm differences on model results.

These efforts should have the effect in proceedings of putting emphasis on the soundness of assumptions and participants' contributions, rather than on relitigating the reliability of computer models used by various parties.

Total Factor Productivity

Total factor productivity (TFP) is a measure of changes in the level of production that cannot be explained by changes in usage of *all* inputs. This productivity change can thus be attributed to technological advancement. The concept of total factor productivity was first introduced before the Commission in Pacific Gas and Electric Company's general rate case for test year 1987.

The major advantage of TFP is that it gives an overall evaluation of a regulated company's efficiency in providing service to its customers. While the Commission was "attracted to the TFP concept", it believed that more work was needed before such a methodology could be incorporated into a rate case.

PERFORMANCE ASSESSMENT

One significant mission of the Public Utilities Commission is to decide how well utility managers satisfy the long term interests of the ratepayers. These interests are seen as the provision of good quality service at minimum cost levels, and the assurance that the utility is operated with financial soundness. To ensure these interests are met, utility management performance must be evaluated.

In order to make an assessment, performance areas need to be chosen, and specific indicators must be developed. Evaluating utility performance is becoming more complex, as vital parts of the energy and telephone utility business are experiencing intense competition in areas where it never before existed. The Commission believes that the basic objective still holds, even in this changed arena: minimize operational costs over the long run and give customers the maximum service and quality for the price they pay.

Utility Compensation Level Evaluation

The Public Staff Division (PSD) extended and refined its methodology for comparing the average level of California utility employee compensation with that of workers engaged in similar occupations across comparable local and national labor markets in studies of Southern California Edison and General Telephone Company of California.

Based on these studies, the PSD recommended a 4.4 percent reduction in Edison's total payroll expense and an expense reduction equal to 6.1 percent of General's payroll.

GENERAL RATE CASES

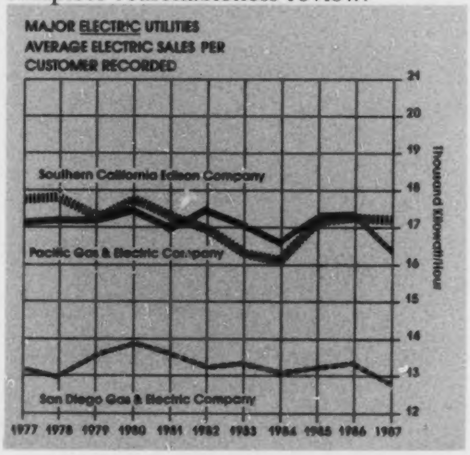
Southern California Edison

The PUC made a financial and operational audit of Edison in connection with the company's 1988 test year General Rate Case. The Public Staff Division reviewed Edison's internal controls, plant construction, plant held for future use, customer services, human resources, material and information services, real properties, and affiliated relationships. PSD recommended a rate reduction base of $234 million, operating revenues reduction of $5.3 million, and gains on the disposition of utility plant by $3.8 million.

The PSD presented testimony in Edison's general rate case proposing that the Commission direct Edison to prepare further studies on the alternative uses for aging oil and gas-fired generating units in Southern California. The study would determine the optimal mix of uses of retirements for these units.

The PSD recommended that the Commission restrict cost recovery from Edison ratepayers for modification to one oil unit at this time since these units are not cost-effective. This would save ratepayers over $20 million.

As now proposed, cost recovery will begin no sooner than the Commercial Operation Date of the DC Terminal Expansion project, and at a rate no more than 75 percent of the cost cap determined by the Commission. Full rate recovery will not begin until after a complete reasonableness review.



MAJOR ELECTRIC UTILITIES
AVERAGE ELECTRIC SALES PER
CUSTOMER RECORDED

Resource Planning

In Edison's test year 1988 general rate case, the Public Staff Division evaluated the resource planning outlook for Edison, and concluded that the system is in an excess supply situation between now and well into the 1990's, if not beyond.

The PSD made several specific recommendations based on the resource outlook for Edison, including:

- Planning policy must move from "stay the course" to reducing high cost supplies, scaling back demand-side management programs that emphasize efficiency improvements, but maintaining a minimum level that retains the infrastructure so they can be activated if the current situation changes; and

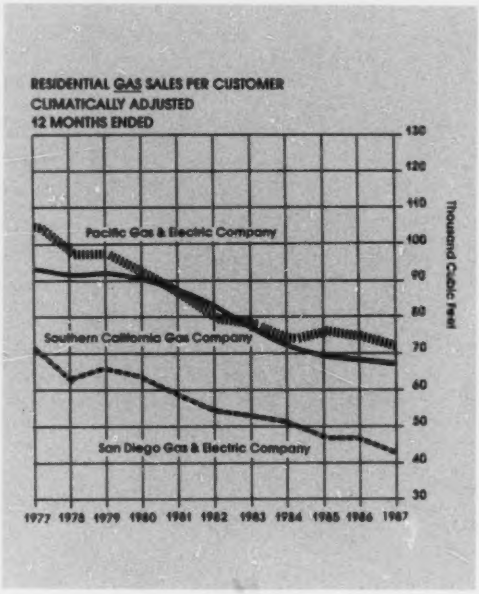
- Approach demand-side management programs which promote increased non-peak sales with caution due to difficulty in measuring their effects as well as uncertainty about their long-term benefits.

Demand-Side Management

Demand-Side Management (DSM) includes load research and service planning and marketing, in addition to conservation and load management.

The Public Staff Division evaluated Edison's DSM programs in two separate proceedings: in the fall 1986 Conservation Load Management Adjustment Clause proceeding, and the test year 1988 general rate case.

The PSD determined that many of the programs Edison proposed eliminating were cost-effective to ratepayers and should not be dismantled. At the same time, some of Edison's proposed DSM programs were not cost-effective at the level of funding proposed by Edison and/or with the proposed program design. In light of the Commission's recent decision on ratemaking mechanisms (D. 87-05-071), PSD also recommended that no ratepayer funds be authorized for marketing programs.



Southern California Gas Company

The PUC's Public Staff Division evaluated SoCal Gas' demand-side management programs for 1987 in the Conservation Cost Adjustment (CCA) proceeding.

The fall 1986 CCA balancing account establishes funding for residential conservation programs, including direct assistance to target customers. A commission decision issued in May 1987 eliminated funding for "the Four Star Program", a program designed to retain load by encouraging builders to install gas appliances.

SERVICE AND SAFETY

Gas Meter Testing Results in Substantial Savings

The three largest regulated gas utilities (PG&E, SoCal Gas, and SDG&E) realized a savings of $12,883,000 during 1986 by substituting for the 10-year meter change-out program, a statistical meter program designed to identify and remove from service, at the earliest possible time, meters which do not perform according to standards specified by the program.

The statistical meter control programs are cost-effective because they allow meters which meet specified standards to remain in service beyond the 10-year change-out period, thereby reducing utility operating expenses.

Under the PUC's Evaluation and Compliance Division staff's surveillance, gas utilities refunded approximately $519,000 to customers for fast metering and backbilled approximately $5.1 million for slow metering. Over 543,000 meters representing 6.6 percent of the 8.2 million meters in service, were tested under PUC standards.

Natural Gas Heating Value Updated

California consumers are supplied with natural gas produced by various sources from within California, the Western and Southwestern United States, and Canada. The average heating value of California sources for 1986 was 978 Btu for Northern California and 1071 Btu for Southern California. The average heating value for out-of-state gas ranged from 1012 Btu to 1148 Btu.

Gas Pipeline Safety Program

In 1983, the one call system mandated by AB 3019 was instituted to reduce the number of construction-caused dig-in incidents to utility facilities. The one call system identifies underground facilities prior to construction.

The number of gas incidents which required immediate action has been on a steady rise from 320 in 1983 to 549 in 1986. The number of fatalities increased from 1 to 12 and injuries from 29 to 34 in the corresponding years. This increase was primarily due to an increase in construction activity which resulted in more dig-in incidents.

It appears that the one call system has not been effective in controlling dig-in incidents. PUC staff is evaluating the one call system with an eye to improving its effectiveness.

Gas Outage in Lake Tahoe

On February 11, 1987, a major natural gas outage occurred in the Southshore Lake Tahoe area. A highway contractor's equipment apparently ruptured an 8-inch gas transmission line along Highway 395 near Minden in Nevada, causing a 5-day gas outage to 5,200 customers in Nevada and 12,000 customers in Southshore Lake Tahoe. Southwest Gas Company repaired the pipeline within a few hours after the rupture. However, relighting of individual customers took most of the time. The cost of relighting was about $750,000.

Pacific Gas and Electric Company's Pipeline Replacement Program

In the 1986 general rate case, the Commission approved PG&E's 20-year pipeline replacement program and at the same time ordered the utility to appoint a top manager responsible for gas safety to reduce the rate of leaks in the gas system.

So far, PG&E has spent $56,200,000 to replace 89 miles of cast iron and corroded steel pipes in 1986, and plans to spend $75,000,000 to replace 93 miles of pipes in 1987.

SoCal Gas Ten-point Program Continues

During the year, SoCal Gas intensified its safety program and developed an extensive system to measure progress in reducing gas accidents. Called the "Reportable Incident Measurement System", it is unique to the nation's gas utility industry. Developed in 1984, the system indicates an overall reduction in company-contributed gas accidents of approximately 50 percent in the 12-months period.

In SoCal's 1986 rate case, the Commission added $15 million to the utility's current budget to replace large diameter, high pressure, pre-World War II pipes in metropolitan areas. State of the art welds will be used in these pipes that are much stronger and more resistant to major seismic activity.

Mobilehome Parks

AB 3681, enacted on January 1, 1987, requires mobilehome park owners to submit annual reports to appropriate licensing agencies for their gas distribution systems. These agencies are required to forward the reports to the PUC for review on leak history and cathodic protection. If deficiencies are found, the Commission will ask the owners to take corrective action. The Commission will submit any non-complying reports to the U.S. Department of Transportation for further action.

Electrical Safety Program

Regulating electric utilities to protect the general public against unsafe conditions and to provide reliable service to customers is a responsibility of the Commission.

During the year, there was about an 8 percent increase in overhead and underground lines, raising the total of electrical transmission, distribution and service lines in California to over 550,000 miles which covered more than 9.8 million electrical power and light, 14.3 million telephone, and 3.6 million cable TV services.

During the past fiscal year the PUC staff identified over 24,000 safety infractions for corrective action by the utilities.

Electrical technology continued to progress. Super conductors which have zero resistance may be used for transportation and high-voltage transmission. This would allow the size of generators and motors to be drastically reduced because current capacity could be increased without a corresponding temperature build up. Such improvements in equipment and construction methods might also bring new service and safety concerns. The Commission staff has been monitoring the latest technological advances and is in the process of developing proposed revisions of Commission General Orders to meet those changes.

500 kV Pacific Inter-Tie Transmission Line Strengthened

PG&E recently completed strengthening the 500 kV Pacific Intertie Transmission line used to transmit inexpensive hydroelectric power to California from the Pacific Northwest. This project involved replacing bundle conductor spacers, repairing conductors and strengthening towers located in high wind areas.

A total of 20,000 spacers were replaced by 25,000 new-design spacers, and the conductors were repaired at 77 locations. This project covered 272 miles of transmission line. Helicopters were used for construction and saved a considerable amount of the project costs of $3.2 million.

California Public Utilities Commission

Consumer Affairs

The PUC Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers, and keeps the Commission informed of consumer concerns. Offices are located in San Francisco and Los Angeles. In June 1987, toll-free "800" numbers for each office were established to make it easier for consumers to contact them for assistance.

Main consumer issues during the fiscal year were:

Telecommunications:

PacBell customer list resale
Inside wiring deregulation
PacBell deceptive marketing practices
Backbilling by telephone companies
Illegal use of Automatic Dialing Announcing Devices (ADAD)
Telephone consumer fraud
Uncertificated long distance carriers
Centralized Credit Check System (CCCS)
Customer-owned Pay Telephones (COPT)
Equal Access
976 Information Access Service

Energy:

Energy Theft
High energy bills and inability to pay
Baseline
Estimated bills by PG&E

CONSUMER AFFAIRS SUMMARY REPORT—1986/1987

UTILITIES	SAN FRANCISCO	LOS ANGELES	TOTAL	CENTREX TRANSFER	
Total Cases Filed	16,636	26,013	42,649	PG&E	1,927
				PAC BELL	1,359 (N)
Backlog	368	835	1,203		1,590 (S)
Cases Closed	16,545	25,356	41,901	GENERAL	831
				EDISON	1,616
Cases Still Open	459	1,492	1,951	SOCAL GAS	1,292
					8,165
Money Refunded	$436,797.34	$1,551,889.61	$1,988,686.95	CAB Filed	42,649
					50,814

	FILED			STILL OPEN			MONIES REFUNDED		
CASE DETAIL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL
Communications	8,270	14,837	23,107	244	858	1,102	$245,684.04	$1,267,344.91	$1,513,028.95
Electric	5,338	4,209	9,547	146	180	326	120,924.87	97,023.75	217,948.62
Gas	1,009	4,738	5,747	38	409	447	63,140.44	161,139.83	224,280.27
Water	799	1,383	2,182	28	40	68	5,447.99	19,981.12	25,429.11
Other	1,220	846	2,066	3	5	8	1,600.00	6,400.00	8,000.00
Totals	16,636	26,013	42,649	459	1,492	1,951	$436,797.34	$1,551,889.61	$1,988,686.95

GENERAL RATE CASES

American Telephone & Telegraph Communications of California

In November 1985, AT&T of California filed an application requesting authority to increase certain rates by seven percent, or $123.6 million over expected revenue levels at current rates.

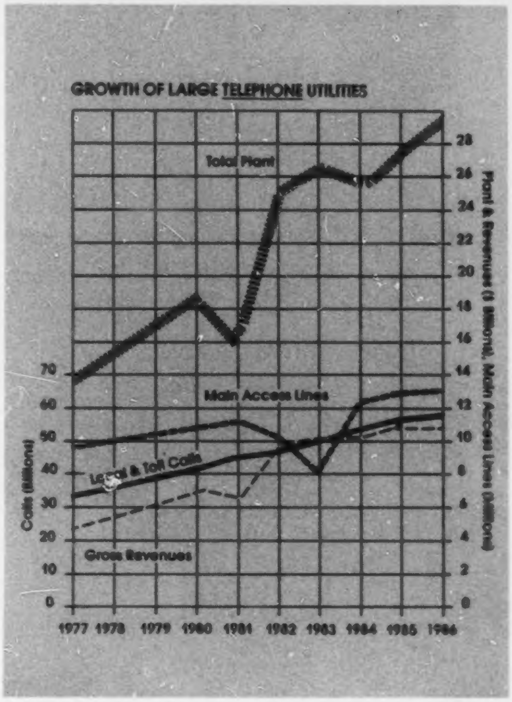
A year later, the Commission allowed an increase in rates for Test Year 1986 of about $8.4 million on an intrastate basis.

The case is significant because it was an attempt by the Commission to do a basic review of AT&T-C's operations, premised on traditional ratemaking principles applicable to a dominant long distance company before considering proposals to loosen regulatory oversight in a separate Commission investigation. Given that fact, the Commission did a traditional rate design review which considered a variety of ratemaking concerns over and above cost-based principles.

General Telephone Requests Revenue Reduction for 1988

In January 1987, General Telephone Company of California filed an application to decrease its rates for intrastate telephone service. The utility requested a revenue reduction of $114 million for test year 1988.

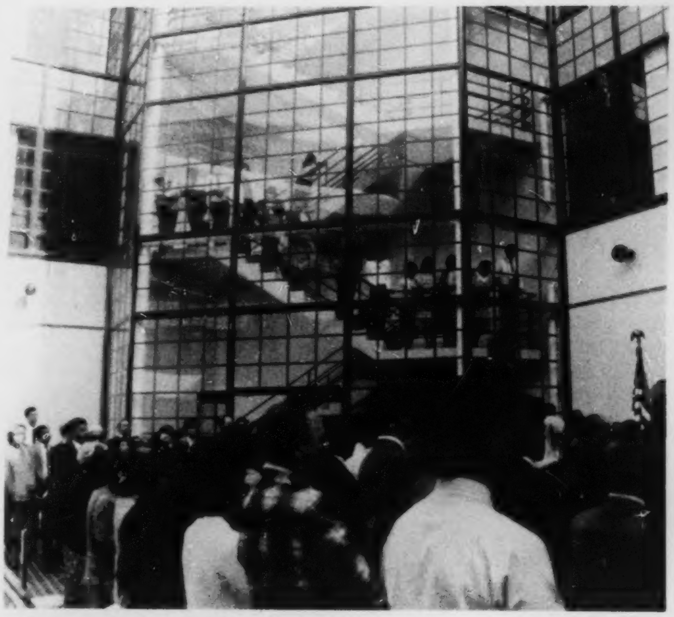
The Public Staff Division of the PUC, upon its review of General's application, has recommended further revenue reduction. Its recommendation, if adopted, would reduce General's revenue requirement by $700 million for the 1988 test year and result in significantly lower rates than those proposed by the company. The Commission is expected to issue a decision on this rate case by late 1987.



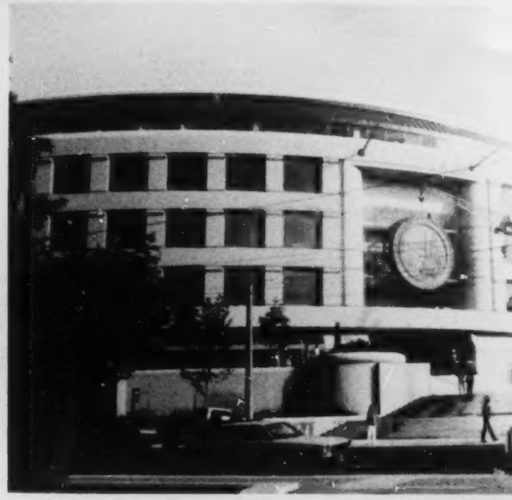
$191 Million Rate Reduction for Pacific Bell

In December 1986, a Commission decision resolved certain outstanding questions regarding the attrition methodology for Pacific Bell and General Telephone Company of California. The Commission ordered Pacific to file operational and financial attrition for the year 1987, with rates subject to refund to January 1, 1987. This decision is significant in that it required Pacific, for the first time, to make an attrition filing to ensure that ratepayers would not be disadvantaged by the fact that test year rates were set in a period of substantially higher interest rates.

DEDICATION CEREMONIES FOR THE
—THE PUC'S



PUC employees line a stairwell and fill the atrium to watch building dedication ceremonies.



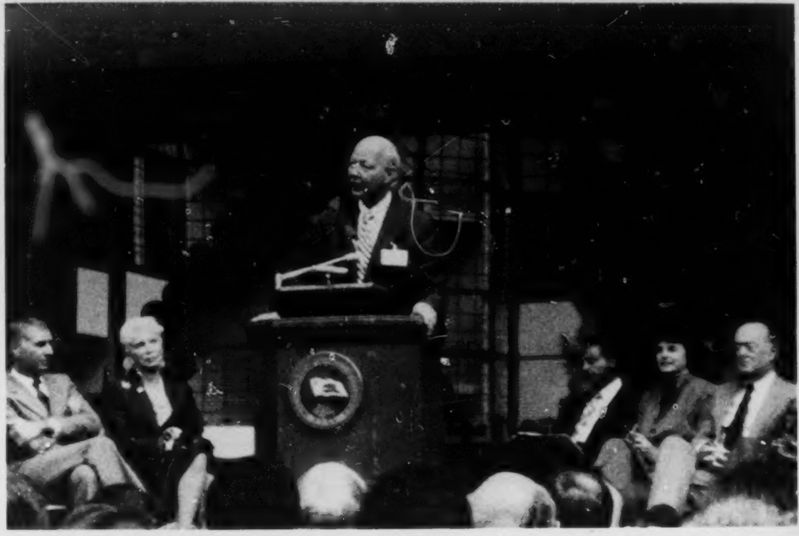
The new PUC headquarters—the Edmund G. Brown Stat

Colorful balloons form an arch over Governor Deukmejian and other state officials who took part in the dedication ceremonies.

Assembly Speaker Willie Brown, one of the speakers.

STATE BUILDING IN SAN FRANCISCO
HEADQUARTERS September 26, 1986

Building.



Commissioner Frederick Duda represents PUC Commissioners at the dedication.

San Francisco Mayor Diane Fienstein provides a light touch.

Lowell High School Chamber Choir

Posting of Colors—California State Police

Accordingly, Pacific filed for a $76 million 1987 attrition rate reduction. Upon review of Pacific's filing, the Commission issued its Attrition Resolution ordering Pacific to reduce rates by an additional $115 million for a total attrition reduction of $191 million. This resulted in a reduction of about $0.60 to the average residential bill. The reduced rates became effective May 1, 1987.

The decision also reviewed motions relative to deregulation of inside wire maintenance, and ordered amended filings addressing cost-effectiveness of Standard Network Interface deployment programs.

In April 1987, Pacific filed an application for rehearing of the Attrition Resolution and claimed legal error in the Commission's denial of the company's application for rehearing of the December decision. The Commission granted limited rehearing on the matter of technical update of book depreciation rates and on the methodology of the nonlabor escalation factor. The remainder of Pacific's application for rehearing is held in abeyance until further order of the Commission which is anticipated in late summer of 1987.

Pacific has indicated that it will ultimately appeal the Attrition Resolution to the California Supreme Court and move to consolidate that appeal with its appeal of the December decision.

INVESTIGATION OF DIVERSIFIED UTILITIES

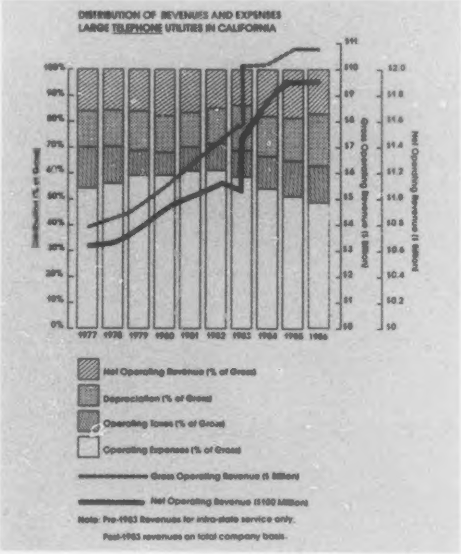
When Pacific filed its rate case application in 1985 with the Commission, one of the more difficult issues to deal with involved the relationship of the company's post divestiture parent company (Pacific Telesis) and its unregulated companies affiliated with Pacific.

In June 1986, Public Staff Division auditors issued their resulting conclusions, and hearings on the matter took place between November 1986 and February 1987. The primary PSD findings included the following:

- Pacific's ratepayers should be compensated for intangible benefits derived by its affiliates by way of a royalty. This royalty should be 5 percent of each affiliate's gross income,
- Pacific should be compensated at market value for all business referrals made to its affiliates,
- When employees are transferred from Pacific to its affiliates, employee transfer fees should be paid to Pacific at the rate of 25 percent of the employee's salary.
- All of the 20 conditions listed in the March 1986 San Diego Gas & Electric Co. decision 86-03-090 for the establishment of a holding company should also apply to Pacific Telesis.

Disposition of these matters will be determined by the Commission later this year.

Recommendations were also made by the PSD this year regarding GTE's affiliates and are similar to those regarding Pacific. Costs allocated to California from GTE Service Corp. and GTE Labs should be calculated in a more equitable manner to better depict the benefits received by California ratepayers.



976 Information Access Service: Looking Forward to The Information Age

The Public Staff's recommendations were largely adopted in a January 1987 Commission decision regarding problems with abuse of 976 service. The PUC found that although 976 Information Access Service has not been problem-free, the service has the potential for offering a broad and sophisticated array of information services. The PUC also found that the service makes a substantial financial contribution to the utility's basic revenue requirement. The PUC concluded, therefore, that if properly regulated, the service is in the public interest and the utility should continue to offer the service.

The decision made permanent the interim consumer protections adopted by the Commission in 1985, such as advertising guidelines and a one-time adjustment of charges when a customer was not aware of 976 charges, or where unauthorized use by a child or other individual was involved.

While the Commission decided that it will remain content neutral in its regulation of 976 Information Access Service, it stated that the transmission of obscene or pornographic material through the 976 Information Access Service network should comply with applicable federal law.

Further hearings were scheduled for July 1987 on the subject of providing "blocking" to customers who wish to have a mechanism for controlling access to 976 services from their telephone lines.

Pacific Bell Marketing Abuse

In mid-1986, the PUC ordered Pacific Bell to refund with interest any amount owed to customers adversely affected by its marketing practices. As of May 1987, Pacific has refunded approximately $30.4 million dollars to its customers. The refunds, plus seven percent interest, and all administrative costs were charged to stockholders of Pacific Bell.

The PUC is scheduled this year to act on its Public Staff's recommendation to penalize Pacific $49.5 million for its abusive marketing practices.

To follow up on its May, 1986 order that Pacific Bell stop using inappropriate sales techniques, the PUC approved a Customer Notification Program for Pacific's customers. Customer notification included radio and print advertising, and mailings written in English, Spanish, Chinese, Korean, and Vietnamese.

The program informed customers that they could seek refunds from Pacific Bell if they had been charged for services that they had not requested. The notification program was also aimed at customers who were eligible for Universal Lifeline Service but had not been offered the service, and customers who made unnecessary deposits.

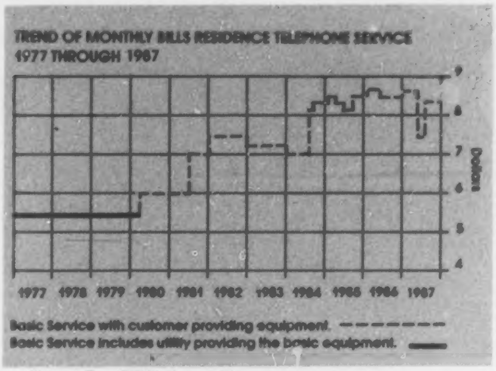
A field Research Survey indicated that not all customers eligible for refunds had responded to the mailings; therefore, the Commission and Pacific Bell are continuing efforts to promote public awareness.

Centralized Credit Check System

The Centralized Credit Check System is now operating on a trial basis at estimated savings of several million dollars. Through this system, participating local phone companies are able to systematically identify customers who have not paid a bill.

This benefits general ratepayers since they currently pay for billed amounts phone companies were unable to collect from their customers.

The PUC will be evaluating the results of the system in the future to determine whether it actually reduced billed amounts which were not collected, whether problems resulting from the system's implementation have been or can be resolved, and whether it should be made permanent and expanded across industries and state boundaries.



Inside Wiring Issues

The PUC's Public Staff Division is investigating the impact of the FCC-mandated deregulation of inside wiring. As of January 1, 1987, local telephone companies in California turned over their responsibility for the repair and maintenance of inside wiring to the customer. The customer has been given the choice of either performing the repairs personally, hiring someone, or allowing the local exchange company to perform the work.

Lifeline Telephone Service

The Universal Telephone Service Act set up the universal lifeline telephone service program in 1983 to provide basic local minimum residential telephone service to qualified Californians. The Commission has modified the program periodically to enhance the service. A major modification was made by Assembly Bill 3288 in 1986 to: allow lifeline customers the option of having flat rate subsidized service; provide each lifeline customer a subsidy equal to the current Federal Communications Commission mandated end user charge of $1.00 per month; and allow a 25c per month subsidy to lifeline customers towards inside wiring maintenance.

Because of these changes, there is a projected program deficit of $26.6 million by the end of June 1988. In order to maintain sufficient funding for the program, the Commission has raised the tax on gross revenues of long distance companies providing telephone service within California to 4 percent for 1987–88 and reopened the rate proceeding to determine how to prevent the projected deficit.

Special Services for the Disabled Expanded

Legislation has established a statewide program to provide specialized or supplementary telephone communications equipment to subscribers who are certified as disabled, at no additional charge to the basic exchange rate. The certification, including a statement of medical need for the specialized equipment, must be provided by a licensed physician or surgeon, or by a qualified state agency as determined by the PUC.

In April 1987, the Commission set up a program whereby the DEAF Trust reimburses the local exchange companies for their distribution of telecommunications equipment for the disabled. The new program is in addition to the current program for the distribution of TDDs (teletypewriter devices).

Photo courtesy of Pacific Bell

A single puff of air activates this telephone, one of several types of equipment designed for disabled people who are unable to use standard telephones.

Deaf/Hearing-Impaired Relay Running Smoothly

The California Relay Service (CRS), begun in 1987, is a dual party relay system which uses third-party intervention (operator) to connect deaf or severely hearing-impaired persons with persons of normal hearing, TDDs and the telephone system. The operator uses a video monitor and a telephone headset to relay phoned conversations between two parties. Individuals can use the California Relay Service by calling a toll free 800 number. Either the hearing person or the TDD user may initiate the call.

CRS is operating at volumes well beyond the expected 50,000 calls per month. Customer calls average 147,000 calls per month, and it is estimated that volumes will reach 185,000 calls in July 1987. AT&T, the DEAF Trust Committee, and PUC staff are now planning for the expansion of the relay.

Customer-Owned Pay Telephones

In May 1987, the PUC authorized Pacific Bell to offer Customer-Owned Pay Telephone (COPT) Service which allowed private providers of public pay telephone service to connect their pay phones to Pacific Bell's network. The PUC set further hearings to determine appropriate regulations for coinless COPT service.

The California Payphone Association (CPA) filed a petition to modify the PUC's original order on COPT service arguing that COPT providers ought to share in the access revenues Pacific Bell receives from long distance carriers, and that COPT providers deserve some share of the utility's calling card revenue. The PUC is scheduled to rule on this petition late in 1987.

Cellular Markets Expand

Wholesale competition has opened up in three of the major cellular telephone markets in the state: Los Angeles, San Diego, and the San Francisco-San Jose Metropolitan area. There are currently eight cellular facilities operating; five wireline carriers, and three nonwireline. Two facilities are nearing completion and are expected to begin operations later in 1987.

The Los Angeles Standard Metropolitan Statistical Area Limited Partnership, or PacTel Cellular, has expanded its facility to include the Oxnard-Ventura service area to the north. GTE Mobilnet has expanded into Napa/Fairfield-Vallejo, Santa Rosa-Petaluma, and Santa Cruz. The Sacramento Valley Limited Partnership now also includes Stockton and Modesto.

The resale market for cellular service is continuing to grow. Currently there are 43 certified resellers, compared to 29 in 1986. A reseller, certified in California, has the authority to resell service in any of the cellular markets in the state. The Commission has continued to encourage growth in the resale market as a means of distribution for the cellular carriers.

The quality of service in the large metropolitan areas appears to have improved.

Pacific Bell's Leadership Development (Krone) Program

In response to articles appearing in the local press, and to complaints received by the Commission's staff, the Public Staff Division initiated an investigation into Pacific Bell's Leadership Development Program, an employee training program also known as the Krone Program.

PSD staff in conjunction with consultants, conducted personal interviews of Pacific Bell personnel who had participated in the program, and mailed out surveys to 2000 randomly selected Pacific Bell employees. PSD and its consultants concluded that the Leadership Development program was counter-productive, caused internal conflicts, and harmed productivity instead of promoting it. PSD recommended to the Commission that the program's cost to ratepayers of $25 million be disallowed. After the staff report was issued, Pacific Bell suspended the Leadership Development program, stating that it would ponder revisions to the program before resuming it.

Participation in Federal Telecommunications Matters

The Commission actively represents California's interest in telecommunications before the Federal Communications Commission and federal courts. In 1986 the Commission won an important victory before the United States Supreme Court in a case which reaffirmed state authority over intrastate communications matters.

Later that year, the Commission won a similar holding from the United States Court of Appeals for the District of Columbia Circuit. Currently, the PUC is appealing new attempts by the FCC to preempt state jurisdiction. The subject matter ranges from inside wiring to information services.

The Commission is currently an active participant in federal district court proceedings which are reviewing the continued retention of restrictions on Bell Operating Companies regarding information services, manufacturing of telephone equipment, and long distance service.

Virtual Private Line Network Moves Forward

In May 1986, the Commission granted American Telephone & Telegraph Communications of California authority to provide intraLATA (within calling areas) Software Defined Network (SDN) service to the extent that it is supplemental as an interLATA (between calling areas) offering.

SDN service, a virtual private line network, provides features which are normally provided only by dedicated private line network services but now can be offered through the nondedicated public switched telecommunications network.

AT&T began offering SDN in July 1986 and has filed required periodic reports on SDN usage and revenues with the Commission. In February 1987, AT&T implemented Far End Network (FEN) screening, a partial blocking procedure, to prevent the use of SDN service for unauthorized intraLATA calling. Subsequently, SDN usage reports revealed a marked drop in SDN intraLATA usage which can be directly attributed to screening.

The Commission is taking a look at the potential intraLATA market and regulatory policy for virtual private line network offered by AT&T and other common carriers such as MCI and US Sprint. A decision on this matter is expected in early 1988.

FCC Computer Inquiry III

The PUC is preparing responses to the Federal Communications Commission Computer Inquiry III rulemaking. Currently, Commission staff is analyzing the implications of the Open Network Architecture (ONA) scheme devised by the FCC to try to achieve a regulatory goal of free market competition in telecommunications and information services.

ONA is designed to encourage the development of new enhanced services by making specific capabilities of the local telephone network available to firms wishing to provide competitive services. ONA has far-reaching potential to promote more rapid introduction of innovative services as well as affect the ability of local telephone companies to maintain existing rates.

Alternative Regulatory Framework Plans

Pacific Bell introduced a proposal for a "Price Predictability Plan" at an en banc hearing in May 1986 relative to its rate design portion of A 85-01-034. Pacific's proposal drastically departed from the present ratemaking procedure. In June 1986, the Commission ruled that it would not consider the overall proposal in the rate design proceeding and advised Pacific that if it wished the Commission to further consider the utility's proposal for a new type of ratemaking regulation, Pacific should file an application or propose a forum for considering the matter.

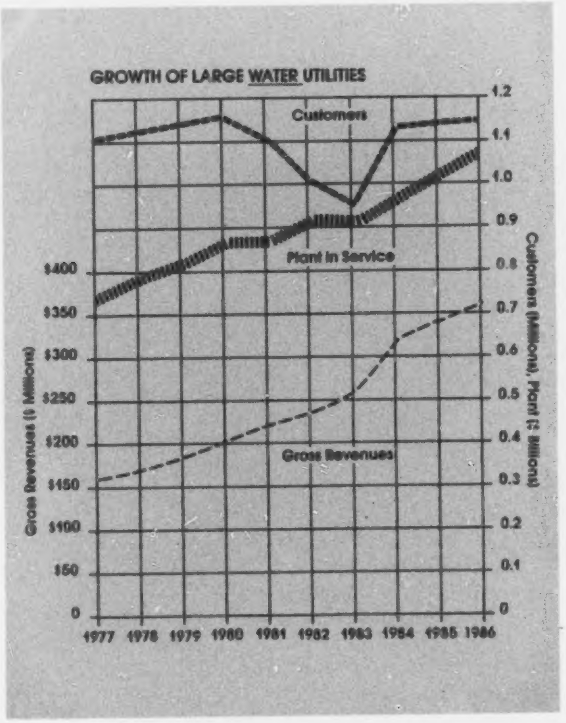
Since Pacific introduced its "Price Predictability Plan", the possibility of making major changes in the existing system of rate of return regulation and three-year general rate cases for local telephone utilities has been a continuing issue of discussion. The Public Staff Division prepared preliminary analysis of alternative regulatory frameworks during 1986–87. In-depth analysis of the major policy issues will continue through 1987–88.

California Public Utilities Commission

WATER

The Commission's Water Utilities Branch performs all regulatory staff functions relating to the 264 investor-owned public utility water and 14 sewer systems located throughout California. The water companies together serve just over 20 percent of California's residential water users.

These companies range in size from the largest, serving over 300,000 customers and with roughly $100 million in revenues, to those with fewer than 10 customers, and less than $1,000 in revenue.



Guidelines for Water Quality Improvement Projects

Due to the increasing contamination of California ground water in recent years and the threat it poses to the drinking water supplied by water utilities under Commission jurisdiction, the Commission staff in 1985 began an extensive study of the problem. The results of the study were set forth in a report presented to the Commission in November 1986. The report concluded that:

- The major drinking water contamination problems in California are currently with groundwater sources rather than with surface or spring water sources.
- Most of the contaminated groundwater sources are in Southern California.
- Organic chemicals are the major groundwater contaminants. These chemicals are derived from animal and plant substances, and contain carbon and hydrogen. They are sometimes volatile, combustible, and biodegradable. There are hundreds of organic chemicals produced commercially for industrial use (cleaning agents, disinfectants, refrigerants, solvents, etc.) and for agricultural use (herbicides, pesticides, etc.).
- Over 60 percent of the drinking water supplied by Commission-regulated water utilities is obtained from groundwater sources and approximately 10 percent of the wells tapping this source show traces of contamination.

- The Commission can expect to see more and more water quality improvement projects to improve a water system to comply with applicable water quality standards.
- There is a need for water quality improvement project guidelines to serve as a basis for decisions on whether or not to authorize rate increases to fund these projects.

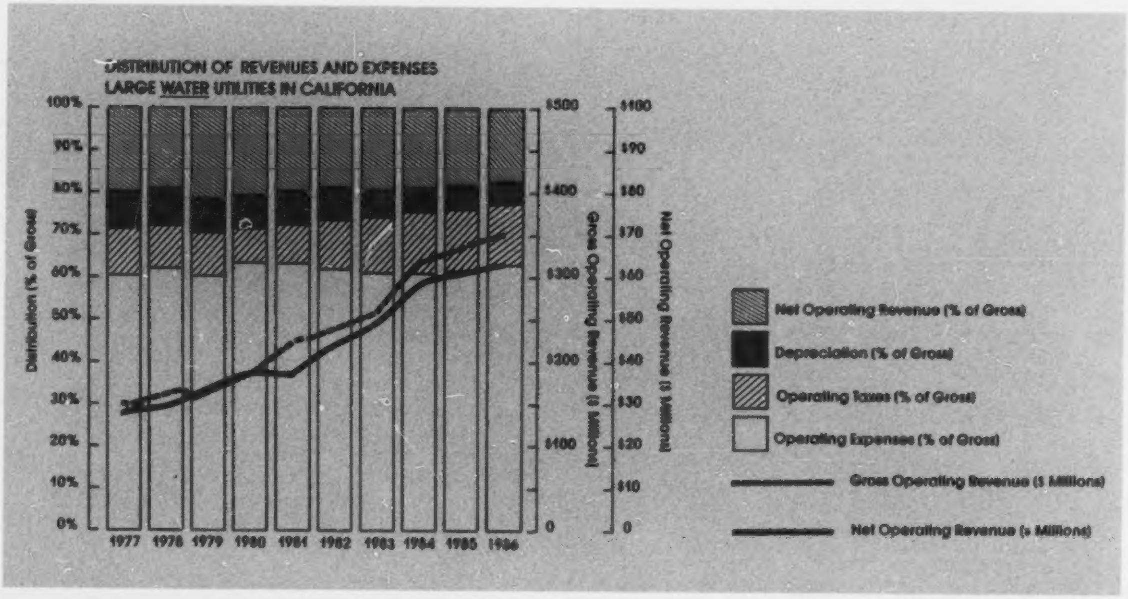
The Commission subsequently adopted guidelines which require companies to provide information on alternatives such as:

- Purchasing treated water from another source.
- Drilling new, deeper wells in the same aquifer.
- Drilling new wells which draw from an adjacent, uncontaminated aquifer.
- Blending marginally contaminated water with clean water.
- Constructing a water quality improvement project to treat water from the contaminated source.
- Combining resources with other companies to construct a shared or regional water quality improvement project, and
- Water conservation programs.

The Commission will implement these guidelines through rate cases and other proceedings as appropriate.

Memorandum of Understanding on Water Quality

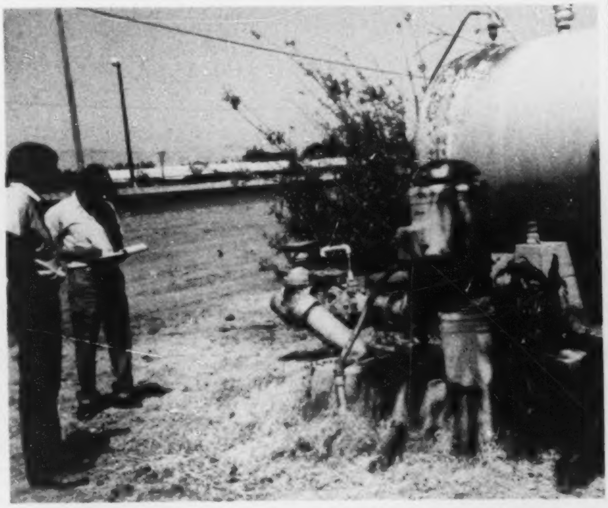
In early 1987, the PUC adopted a memorandum of understanding with the California Department of Health Services (DHS) which clarified the role of the two agencies in addressing the water contamination problem. DHS will be responsible for monitoring water quality, identifying contaminants, and recommending preferred solutions to water quality problems. The PUC will be responsible for analyzing the financial impacts of these solutions on both the customers and the water companies, and for determining how to pay for the projects through rates.



Small Water Utility Outreach Program

Many small water companies have little or no contact with the Commission until they have major fiscal or operational problems. This often leads to (1) considerable staff time assisting the company in correcting the problem(s), (2) significant costs to the company to correct the problem(s), and (3) negative impacts on customer service such as water outages, reduced water pressure and water contamination.

In an attempt to prevent these problems, an outreach program has been established to assist small water companies by inspecting the facility and books, and making recommendations to help utility management to improve the quality of water service. The inspections are aimed at preventing serious service problems from occurring and saving the utilities' and customers' money.



PUC staff inspect a well, pressure tank and pump at a small San Joaquin water utility.

Ed Suriaga, Associate Utilities Engineer, examines the storage room for chlorination devices, shutoff valve, and pump of a small water utility.

Don McCrea, Senior Utilities Engineer, inspects a small water utility's filter tanks.

California Public Utilities Commission

Public Advisor

The Public Advisor's office assisted thousands of consumers who requested information and advice on how to participate in Commission proceedings. The ability of the Public Advisor to respond to consumer requests was significantly enhanced by legislation (SB 2030—Rosenthal) which provided funding for a Public Advisor's office in Los Angeles. The Los Angeles branch office has already been instrumental in having more hearings scheduled in the Los Angeles area.

In 1987, the Commission responded to the U.S. Supreme Court's 1985 decision that the Commission could not require utilities to use the extra space in their bills to carry messages from groups who participate in PUC proceedings. The Commission issued decisions in May which adopted an alternative system for notifying ratepayers of the existence of these groups, known as "intervenors". The decision requires the utilities to send a bill insert four times a year to their customers, inviting them to contact the Public Advisor's office to receive a list of intervenors.

The Commission's intervenor funding awards have also expanded. The Commission awarded $526,133 to intervenors this fiscal year, compared to $136,611 last fiscal year.

From left: Rob Feraru, Public Advisor; Natalie Hanson (on phone), Alannah Kinser and Dorothy Taylor, Assistant Public Advisors; Herlinda Resendez, Secretary.

State Senator Herschel Rosenthal celebrates the opening of the Los Angeles Public Advisor's office in Los Angeles with Natalie Hanson, Assistant Public Advisor.

California Public Utilities Commission

TRANSPORTATION

NEW REGULATORY PROGRAM FOR GENERAL FREIGHT

In April 1986, the Commission enacted a new rate regulation program for truck transportation of general commodities based on Commission-approved carrier-filed rates, which have, with a few exceptions, been cost-justified.

The Transportation Division's General Freight Team conducted public meetings throughout the state in February 1987 to give information and answer questions about the new general freight regulatory program (D.86-04-045 and D.86-12-102) which took effect March 1, 1987.

The Transportation Division implemented the 10 percent increase ordered by the April 1986 Commission decision by mailing filing instructions to around 5,000 highway common carriers and 3,500 highway contract carriers.

Termination of Transition Tariff Adoption Notices

On January 1, 1987, the Commission's General Freight Transition Tariffs were cancelled. This required that the approximately 2,000 remaining highway common carriers adopting those tariffs had to replace them by filing their own, or participating in bureau tariffs. A total of 453 carriers, not wishing to continue as highway common carriers, had their certificates revoked at their own request, and 312 additional highway common carriers were involuntarily revoked for failure to file replacement tariffs.

Dump Truck Regulatory Program

In August 1986 and May 1987, the Commission issued what will likely be a series of interim decisions in its proceeding to overhaul the dump truck minimum rate program (Case 547, OSH 325). The first interim decision adopted methodologies for updating the costs that underlie minimum rates for construction hauling. It also directed the Commission staff to begin performing a cost update using these methodologies.

The second interim decision ordered dump truck program overhaul work split into two sequential phases. Phase 1, now in progress, involves construction activity hauling only. Phase 2 will involve all dump truck hauling not addressed in Phase 1.

Around the time that the Commission issued its second interim decision in OSH 325, an association of carrier and shipper interests, known as the Californians for Safe and Competitive Dump Truck Transportation (CSCDTT), filed a petition to cancel dump truck minimum rate tariffs. This action prompted the Commission to request that all dump trucking interests submit written comments on the questions of whether the CSCDTT's petition should be set for hearing or dismissed, and whether the taking of evidence in OSH 325 should be continued.

New Directions in Enforcement

The citation forfeiture procedure was expanded to permit the staff to issue on-the-spot citations rather than processing all files through Compliance Section headquarters in San Francisco. Combined with recently-passed legislation which authorized the Commission to fine unlicensed truckers, this procedure is used to cite such operators, and is a more expeditious way of handling these violations.

Passenger carrier enforcement continued to receive heavy emphasis, particularly with regard to unlicensed carriers and interstate registration. A new technique which has proven successful in the field, is to have a team of compliance staff attend events where it is expected that large numbers of limousines will be present, such as the Academy Awards or Super Bowl football game. Such checks during the past year disclosed numerous unlicensed operators.

The limited peace officer authority recently granted by the Legislature to the PUC Compliance and Enforcement field investigators proved very effective in a number of successfully-concluded enforcement cases.

Rejustification of Rate Reductions

During the transition period from April 1980 to February 1987, truckers filed over 1,900 cost-justified rate reductions covering the transportation of general freight. In addition, approximately 6,000 filings, called "me toos," were made by competing carriers to meet the reduced rates. The decision which established the new program, requires that all of these formerly approved rate reduction and "me too" filings be newly cost-justified on a schedule established by the staff. This process of rejustification began in October 1986.

Safety Study

The joint study of truck safety mandated by AB 2678 was undertaken by the Commission and the California Highway Patrol. An Advisory Group was formed to provide input and to evaluate the connection between rate regulation and safety.

Most of the report to the Legislature was finalized by the staff at the end of June. The report pointed out that although the actual number of 'truck-at-fault' accidents increased between 1976 and 1986, the number of miles travelled by trucks has increased significantly, thereby reducing the overall accident rate during this period by 33 percent.

The report notes that driver error is the primary cause in about 94 percent of truck-at-fault accidents. Accidents caused by brake failure or other mechanical failure or other mechanical defect are declining.

The report discusses the coordination of inspection, licensing and compliance programs between the California Highway Patrol and the PUC.

The final part of the report, which will be completed before the end of 1987, will address the questions of to what extent regulated heavy trucks are responsible for accidents and how effective the PUC's regulatory programs have been in preventing accidents.

Bus Safety Concerns

The Transportation Division initiated a program to improve the safety and fitness of all regulated passenger carriers. In July 1986, two safety workshops were held, one in San Francisco and the other in Los Angeles. The workshops were attended by representatives of industry and labor, the Department of Motor Vehicles, and the California Highway Patrol—the lead agency in passenger safety matters.

Industry input, along with Commission staff research, led to a report to the Commission published in September 1986. The report identified and discussed a series of ideas which, if developed, could contribute toward making passenger transportation safer. Some of the concepts fall into the immediate sphere of authority of the PUC, others are more closely related to the work of the CHP or the DMV.

Study of Insurance Coverage Required for Intrastate Carriers

Following a tragic 1986 charter interstate bus accident in Southern California, the Legislature passed urgency legislation directing the Commission to oversee a study of the availability and cost of public liability and property damage insurance required to be maintained by for-hire carriers regulated by the Commission. An Advisory Committee composed of industry and public representatives was formed and assisted the Commission in selecting a contractor for the study and to oversee the study.

BART Safety

As required by Commission Decision 90144, which concerns safety measures adopted in response to the 1979 Transbay Tube fire, BART completed its fire hardening program of all 408 cars in July 1986.

Upon completion of this program, the Commission agreed to permit removal of the Emergency Procedures Assistants from each BART train operated in the Transbay and Berkeley Hills tubes during peak hours.

BART's expansion program has also required PUC staff safety oversight of new C cars, new automatic train control hardware, the Daly City turnback, the Integrated Control Computer System (ICS) and removal of the PUC-required vent separation system in underground areas.

New Rail Transit Projects

The Rail Transit Safety Section has closely reviewed the planning and construction of several new light rail projects around the state. The staff has completed or is in the process of reviewing Sacramento Regional Transit's light rail project, Santa Clara County Transit's new project, San Diego Metropolitan Transit Development Board's El Cajon extension project, and the Los Angeles Transportation Commission's light rail project.

The staff is also closely monitoring the design and construction of the Southern California Rapid Transit District's metro rail project to ensure its operational safety.

Working on the Railroad

The Commission is an active party before the United States Bankruptcy Court in proceedings filed in December 1986 by Eureka Southern Railroad. The Court upheld the position advanced by the PUC and other public agencies and prevented creditors from dismantling the historic, 140-mile line between Eureka and Willits, where it connects with Northwestern Pacific Railroad.

The Commission also has been prominent during 1986 and 1987 in cooperating with Mendocino County communities and successfully opposing drastic reductions in passenger service along the California Western Railroad. Better known as the "Skunk Train," the picturesque line runs inland from Fort Bragg and is an integral part of a regional economy that depends heavily on tourism.

Operation Lifesaver

In 1976, the PUC joined with the California Office of Traffic Safety, California Highway Patrol, Caltrans, the Department of Motor Vehicles and other groups to form the California Operation Lifesaver Committee to increase public awareness of safety at railroad-highway grade crossings.

This year Governor Deukmejian proclaimed the week of April 19–25, 1987 as "California Operation Lifesaver Week". Committee members arranged a Special Operation Lifesaver Train which made a three-day whistle-stop tour of 31 California cities to promote public awareness in reducing railroad-highway grade crossing accidents in California.

Hazardous Materials—Railroad Safety

Staff has proposed that the Commission adopt its proposed new Railroad Hazardous Materials Safety General Order. The proposal was developed because of the increasing amounts of hazardous material being transported and stored in rail cars and the number of related accidents and incidents involving these materials nationwide.

The proposed General Order includes security requirements, stored rail car inspections, industrial spur track safety practices, and equipment and emergency contingency plans coordinated with local emergency response agencies.

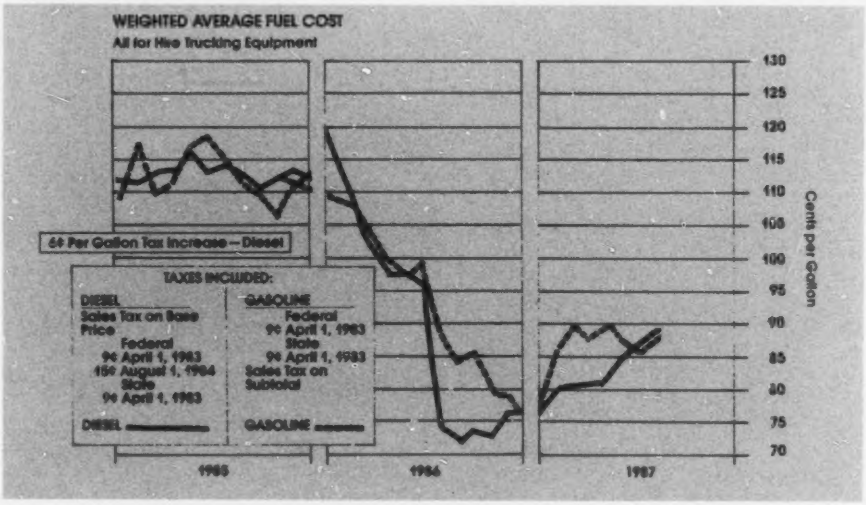
Airport Access

A significant increase in airline travel since the 1970s has spurred changes in traditional methods of airport access such as taxis, private automobiles and scheduled buses. Non-scheduled shuttle services using small vans have entered the market, creating both a convenient new service for passengers as well as regulatory conflicts. In response, the staff issued a report in April 1987 reviewing the history of the problem and discussing policy options. A rulemaking proceeding is being initiated to resolve the issues.

Staff Studies

- The livestock minimum rate tariff is being adjusted to reflect increased carrier costs.
- A zip code distance table is being developed for use by the motor carrier industry.
- The household goods minimum rate tariff is being reviewed.
- The fresh fruit and vegetable carriers and the carriers of bulk agriculture products are being monitored.
- The following prevailing wage reports have been issued in the last year:

Report 1 86-1—General Freight
Report 2 86-1—Cement in sack or bulk
Report 3 86-1—Truckaway Service



California Public Utilities Commission

Organizational Functions

EXECUTIVE DIRECTOR

The Executive Director, appointed by the Commission, performs the Commission's executive and administrative duties. The Director coordinates, supervises and directs the Commission's operations and affairs, and expedites all matters within the Commission's jurisdiction.

All division heads and other employees except Commissioners and the General Counsel report to the Executive Director. The Executive Director handles all administrative matters relating to personnel, services and material and presents the Commission's budget to the State's fiscal officers and the Legislature.

The Executive Director keeps a full and true record of all Commission proceedings and issues all necessary process, writs, warrants and notices. When all parties are in agreement, the Executive Director may also dismiss complaints on applications. The Director also administers oaths, certifies to official acts and issues subpoenas for witnesses' attendance and produces records needed at Commission hearings and investigations.

GENERAL COUNSEL

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings under the Public Utilities Act. The General Counsel heads the Legal Division, which provides advice and representation in all matters relating to the regulation of California utilities.

LEGAL DIVISION

Four basic sections implement Legal Division programs. They are the Advisory and Appellate Section, Staff Counsel Sections One and Two, and the Federal Agencies Section. In addition to advising the Commission and its staff on all legal matters, the Advisory and Appellate Section reviews petitions for rehearing of Commission decisions and recommends to the Commission whether to grant, deny or modify such petitions.

It also defends Commission decisions on appeals to the California Supreme Court. Staff Counsel Section 1 is responsible for assuring compliance by California's major gas, electric and telephone utilities with the Commission's expedited rate procedure, and for representing the PUC in matters before other state agencies. Section 2, among its other duties, is assigned all hearings other than general rate proceedings of major utilities and is responsible for handling subpoenas to Commission employees or for Commission records.

The Federal Agencies Section represents the Commission in matters that go before federal administrative agencies or federal courts.

PUBLIC STAFF DIVISION

The Public Staff Division critically reviews and analyzes all utilities' applications that are set for hearing, testifies in hearings and investigations, and makes analyses and recommendations intended to serve the best long-term interests of all utility ratepayers.

The Public Staff Division is comprised of 11 branches or other units: Fuels; Energy Rate Design and Economics; Energy Resources; Energy-Operational Costs; Energy-Auditing; Telecommunications-Operational Costs; Telecommunications-Rate Design; Telecommunications-Auditing; Special Economics; Rate of Return and Tax; Diablo Canyon Study Team.

EVALUATION AND COMPLIANCE DIVISION

The Evaluation and Compliance Division advises the Commission whether to approve, deny, or modify all utility requests that are not assigned for hearing. It oversees enforcement of Commission orders and provides technical assistance to the Commission. It keeps the Commission informed about major developments affecting each utility within the Commission's jurisdiction. It is comprised of eight branches: Telecommunications; Water Utilities; Service and Safety; Energy; Accounting and Financial; Auditing and Compliance; and Advisory, Evaluation and Research.

POLICY AND PLANNING DIVISION

Looking beyond the PUC's daily responsibilities, the Policy and Planning Division analyzes emergency policy issues and changes in the regulatory environment caused by new economic, financial, institutional and technological trends. The Commission reviews this division's analyses to determine how these trends will affect its role and procedures.

TRANSPORTATION DIVISION

The Transportation Division sees that rates the Commission fixes are just and reasonable and that the service regulated carriers provide to the public is adequate. It makes sure that regulated carriers, freight trains and trucks, privately-owned passenger buses, railroads and vessels adhere to the state's transportation rules and regulations. It also oversees the safety of railroad operations and grade crossings and certain public rail transit systems. It issues operating licenses and collects statutory fees.

In May 1987, the Transportation Division reorganized its staff and assignments into two groups, Operations and Projects. This new alignment provides better management control, improves project communication, and generally increases performance. Each group is headed by an Assistant Director and consists of units performing similar functions.

Other management initiatives being undertaken include a review of the field offices, a program to better assess training needs, a realignment of the support services unit, and the development of an interactive Transportation Management Information System (TMIS).

The issuance of charter-party carrier licenses and the maintenance of their insurance records, as well as those of passenger stage corporations was transferred to the Tariff and License Branch. This centralization of carrier records will result in more efficient service to the public.

MANAGEMENT SERVICES DIVISION

The Management Services Division provides services to support the PUC's daily operation. It also carries out a number of statutory functions required by the Public Utilities Code. It provides, among other things, administrative, data processing, personnel, employee training and development, fiscal, and budget planning services.

PUBLIC AFFAIRS DIVISION

The Public Affairs Division includes the News Bureau and the Consumer Affairs Branch.

The News Bureau keeps the Public informed of PUC policy and action by means of the print and broadcast media, and a variety of special publications.

The Consumer Affairs Branch handles protests, complaints and inquiries from individual utility customers and keeps the Commission informed of consumer concerns.

PUBLIC ADVISOR

Mandated by Section 321 of the Public Utilities Code, the Public Advisor assists people who want to participate in Commission proceedings.

DIVISION OF ADMINISTRATIVE LAW JUDGES

The Division of Administrative Law Judges helps the Commission discharge the quasi-judicial functions it must perform under terms of the California Constitution and State Statutes. The Administrative Law Judges conduct public hearings, analyze evidence and prepare recommended decisions for approval by the Commission in formal proceedings.

Following is a breakdown of Commission activity by days of hearing and number of decisions in formal proceedings:

Statistical Section – Utilities

MAJOR GAS AND ELECTRIC UTILITY RATE APPLICATIONS FILED

Applications filed July 1, 1986 to June 30, 1987

Utility	Type of Proceeding	Application Number	Date Filed	Amount Requested
Pacific Gas and Electric Company	GAC	86-09-055	9/30/86	
		Withdrawn	11/7/86	$ -0-
	ECAC	87-04-005	4/7/87	5,765,000
	ERAM	87-04-035	4/21/87	210,196,000
	CAM	87-04-040	4/20/87	
		Amended	6/17/87	265,300,000
Subtotal				481,261,000
San Diego Gas and Electric Company	ECAC	86-07-008	7/3/86	-0-
	CAM	86-10-013	10/6/86	-0-
	SONGS 2&3	86-10-088	10/27/86	(63,200,000)
	ERAM	86-12-053	12/19/86	(3,095,000)
	CAM	87-01-037	1/27/87	
		Amended	6/24/87	22,900,000
Subtotal				(43,395,000)
Southern California Edison Company	Catalina	86-09-044	9/19/86	302,000
	General	86-12-047	12/26/86	301,500,000
	ECAC	87-02-019	2/5/87	
		Amended	6/1/87	70,500,000
	SONGS 2&3	87-05-031	5/18/87	344,700,000
Subtotal				717,002,000
Southern California Gas Company	CAM	86-09-030	9/19/86	277,300,000
	CAM	87-01-033	1/20/87	
		Amended	6/17/87	8,700,000
Subtotal				286,000,000
Subtotal Requested Rate Increases				1,507,163,000
Subtotal Requested Rate Decreases				(66,295,000)
NET TOTAL REQUESTED RATE CHANGES				$1,440,868,000

NATURAL GAS RATE PROCEEDINGS

Decisions Effective July 1, 1986 to June 30, 1987

Application No.	Decision No.	Utility	Rate Increase		Percent	Proceeding Type
			Requested	Authorized		
86-03-058	86-08-082	Southern California Gas	$ 99,426,000	$ 99,426,000	100.0%	CAM
"	"	Southern California Gas	(3,573,000)	(4,314,000)	120.7	GEDA
86-03-030	"	Pacific Gas & Electric	(256,500,000)	-0-	0.0	CAM
86-04-027	"	San Diego Gas & Electric	(53,000,000)	(4,000,000)	7.5	CAM
86-12-050	86-12-095	Pacific Gas & Electric	221,500,000	(676,000)	(0.3)	General
A.L. 1653	G-2705	Southern California Gas	27,925,000	20,723,000	74.2	Attrition
A.L. 593	G-2706	San Diego Gas & Electric	10,270,800	10,144,400	98.8	Attrition
86-10-013	87-01-034	San Diego Gas & Electric	-0-	-0-	100.0	CAM
86-09-029	87-01-045	Southern California Gas	(53,371,000)	(53,371,000)	100.0	Conservation
86-09-030	87-01-046	Southern California Gas	278,701,000	260,078,000	93.3	CAM
TOTAL			$ 271,378,800	$328,010,400	120.9%	

ELECTRIC RATE PROCEEDINGS

Decisions Effective July 1, 1986 to June 30, 1987

Application No.	Decision No.	Utility	Rate Increase		Percent	Proceeding Type
			Requested	Authorized		
A.L. 680	E-3013	San Diego Gas & Electric	$ 19,770,976	$ 5,420,461	27.4%	Attrition
A.L. 747	E-3014	Southern California Edison	2,933,000	(6,640,000)	(226.4)	Attrition
A.L. 196	E-3015	Sierra Pacific	444,000	253,000	57.0	Attrition
85-05-001	86-07-034	Southern California Edison	(11,500,000)	(11,500,000)	N/A	Plant Offset
85-05-144	"	Southern California Edison	11,500,000	11,500,000	N/A	ECAC
86-04-012	86-08-083	Pacific Gas & Electric	N/A	(343,060,000)	N/A	ECAC/ERAM/AER
82-02-040	86-10-069	Southern California Edison	838,600,000	774,500,000 est.	92.4	Plant Offset
"	"	San Diego Gas & Electric	220,900,000	204,000,000 est.	92.3	Plant Offset
86-09-004	86-12-057	Sierra Pacific	(4,600,000)	(4,900,000)	106.5	ECAC/ERAM
86-04-012	86-12-091	Pacific Gas & Electric	N/A	(79,700,000)	N/A	ECAC/ERAM/AER
86-12-050	86-12-095	Pacific Gas & Electric	750,000,000	108,200,000	14.4	General
86-03-021	86-12-097	Pacific Power & Light	2,090,000	2,000,000	100.0	General
85-12-011	87-01-007	CP National	2,100,000	2,100,000	100.0	General
86-07-008	87-01-051	San Diego Gas & Electric	-0-	(53,900,000)	N/A	ECAC/ERAM
86-10-088	"	San Diego Gas & Electric	(63,200,000)	(31,600,000)	50.0	Plant Offset
84-06-014	87-03-029	Pacific Gas & Electric	1,300,000	53,221,000	4,093.9	Decommissioning
86-07-041	87-05-021	Southern California Edison	14,472,917	10,673,415	73.7	Conservation
85-05-055	87-06-021	Southern California Edison	350,000,000	344,600,000	98.5	ECAC Prudency
TOTAL			$2,134,720,893	$985,167,876	46.1%	

STEAM RATE PROCEEDINGS
Decisions Effective July 1, 1986 to June 30, 1987

Advice Letter No.	Utility	Rate Change ($)	Proceeding Type
145-H	San Diego Gas & Electric	$ (373,600)	Fuel Cost
147-H	San Diego Gas & Electric	(603,100)	Fuel Cost
149-H	San Diego Gas & Electric	(27,000)	Attrition
TOTAL		$ (1,003,700)	

BUTANE RATE PROCEEDINGS
Decisions Effective July 1, 1986 to June 30, 1987

Advice Letter No.	Utility	Rate Change ($)	Proceeding Type
74-G	Southern California Edison	$ 67,200	Fuel Cost
77-G	Southern California Edison	88,540	General
TOTAL		$155,740	

TELECOMMUNICATIONS PROCEEDINGS
Decisions Effective July 1, 1986 to June 30, 1987

Application	Utility	Requested Amount	Authorized Amount	Note	% Request Granted
A.85-11-029	AT&T-C (1986 TY)	$123,600,000	$12,711,000	1	10.28%
A.L. 15215	Pacific Bell (1987 AY)	<75,748,000>	<191,041,000>	2	152.21%

1. D.86-11-079 granted $8.391M; D.87-04-041 granted $4.32M
2. T-12007 dated March 25, 1987

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA
Years 1977 through 1986

End-of-year	Gas	Steam	Electric	Water	Telephone	Total	Annual Increase
1977	6,722	0.3	6,795	1,106	11,094	25,717	4%
1978	6,894	0.3	7,007	1,124	11,722	26,747	4
1979	7,067	0.3	7,233	1,138	12,696	28,134	5
1980	7,203	0.3	7,420	1,150	12,886	28,659	2
1981	7,328	0.3	7,546	1,100	13,325	29,299	2
1982	7,384	0.3	7,624	1,004	13,498	29,510	1
1983	7,438	0.3	7,725	942	13,938	30,043	2
1984	7,499	0.3	7,892	1,122	14,008	30,521	2
1985	7,714	0.2	8,084	1,140	14,633	31,571	3
1986	7,901	0.2	8,307	1,157	15,484	32,849	4
Annually Compounded Growth Rate							
1977–1986	1.8%	−4.4%	2.3%	0.5%	3.8%	2.8%	–

WATER RATE PROCEEDINGS
(Large Companies)
Decisions Effective July 1, 1986 to June 30, 1987

Application No.	Decision No.	Utility	District	Rate Increase Requested	Rate Increase Authorized	Percent
85-09-047	86-10-025	SoCal	Barstow	$ 408,400	$ 236,100	57.8%
85-09-048	86-10-025	SoCal	Morongo	79,100	33,800	42.7
85-09-048	86-10-025	SoCal	Victorville	254,000	104,000	40.9
85-09-049	86-10-025	SoCal	Metropolitan	2,730,600	803,400	29.4
85-09-050	86-10-025	SoCal	San Bernardino	248,100	142,700	57.5
85-09-051	86-10-025	SoCal	Pomona	779,700	438,600	56.3
86-04-003	87-01-060	Azusa Valley		740,858	111,600	15.1
86-05-047	87-01-059	Suburban	San Jose	6,625,800	857,500	12.9
86-06-048	87-01-064	Dominguez		1,751,200	827,700	47.3
86-05-016	87-03-030	Cal American	Village	1,559,500	560,000	35.9
86-05-017	87-03-030	Cal American	Coronado	802,000	486,600	60.7
86-05-037	87-03-078	Cal Water Service	Selma	311,200	203,000	65.2
86-05-038	87-03-078	Cal Water Service	Salinas	785,000	369,000	47.0
86-05-039	87-03-078	Cal Water Service	Bakersfield	1,607,600	564,800	35.1
86-05-040	87-03-078	Cal Water Service	San Mateo	1,072,700	563,200	52.5
86-05-041	87-03-078	Cal Water Service	Visalia	794,600	494,700	62.3
86-05-042	87-03-078	Cal Water Service	Chico-Hamilton	586,300	308,600	52.6
86-07-010	87-04-069	Socal	Santa Maria	285,300	(183,200)	−64.2
86-07-010	87-04-069	Socal	Ojai	159,600	124,000	77.7
86-07-010	87-04-069	Socal	Simi Valley	464,100	108,000	23.3
86-07-010	87-04-069	Socal	Clear Lake	276,500	89,500	32.4
86-07-010	87-04-069	Socal	Bay	160,500	(29,900)	−18.6
86-07-010	87-04-069	Socal	Calipatria-Niland	162,700	100,200	61.6
		Totals		$22,645,358	$7,313,900	32.3%

WATER RATE PROCEEDINGS
(Small Companies)
Decisions Effective July 1, 1986 to June 30, 1987

Application No.	Decision No.	Utility	District	Rate Increase Requested	Rate Increase Authorized	Percent
85-12-023	86-08-048	Alco		$618,900	$363,000	58.7%
85-08-038	86-09-005	Metropolitan	Ventura County	143,500	143,500	100.0
83-09-063	86-12-023	Grizzly Park		(14,956)	(14,956)	100.0
85-05-093	86-12-024	Borrego Springs		98,833	7,026	7.1
85-01-003	86-12-026	Quail Lake		33,330	39,160	117.5
86-05-035	87-05-025	Rogina		97,466	44,498	45.7
86-10-076	87-05-022	Antelope Valley		6,990	6,990	100.0
86-05-024	87-05-023	Bear Trap		2,052	2,160	105.3
		Totals		$986,115	$591,378	60.0%

WATER RATE PROCEEDINGS

Total Large Water Companies	$22,645,358	$7,313,900	32.3%
Total Small Water Companies	986,115	591,378	60.0
Total	$23,631,473	$7,905,278	33.5%

TOTAL WATER RATE PROCEEDINGS
Decisions Effective July 1, 1986 to June 30, 1987

Type of Proceeding	No. of Proceedings	Total Annual Revenue Increases
General Rate Increases (Formal Decisions)	30	$ 7,905,278
General Rate Increases (Advice Letters)	15	379,837
Offset Rate Increases (Advice Letters)	23	4,281,707
GRAND TOTAL	68	$12,566,822

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA

Years 1977 through 1986

End-of-year	Gas	Steam	Electric	Water	Telephone[2]	Total	Annual Increase
			(Dollars in Thousands)				
1977	$3,402,538	$10,385	$11,462,374	$ 726,664	$10,679,353	$26,281,314	7%
1978	3,571,350	10,485	12,235,252	789,126	11,676,421	28,282,634	8
1979	3,764,462	10,625	12,895,178	810,625	12,791,650	30,272,540	7
1980	4,001,702	10,828	13,741,226	866,479	14,507,234	33,127,469	9
1981	4,273,531	10,284	14,718,839	863,836	15,964,162	35,830,652	8
1982	4,492,925	10,730	15,715,885	912,587	17,725,438	38,857,565	8
1983	4,764,054	15,565[1]	18,919,538	907,829	18,625,162	43,231,948	11
1984	5,161,396	16,272	23,109,000	958,005	24,247,083[2]	53,491,756	24
1985	6,054,780	16,643	28,646,772	1,018,823	26,251,420	61,988,438	16
1986	6,625,358	18,214	33,774,661	1,088,954	27,896,380	69,403,567	12
Annually Compounded Growth Rate							
1977–1986	7.7%	6.4%	12.8%	4.6%	11.3%	11.4%	–

[1] Previously, majority of plant was allocated to Electric Department for electric production.
[2] Intrastate through 1983, total company thereafter.

OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA

Years 1977 through 1986

End-of-year	Gas[1]	Steam	Electric[2]	Water	Telephone[3]	Total	Annual Increase
			(Dollars in Thousands)				
1977	$2,596,509	$3,327	$ 4,437,762	$151,587	$ 3,875,405	$11,064,590	17%
1978	2,806,942	3,834	4,943,436	161,986	4,267,539	12,183,737	10
1979	3,796,111	3,786	5,038,932	178,173	4,640,500	13,657,502	12
1980	5,024,015	4,315	7,199,207	199,744	5,371,553	17,798,834	30
1981	5,709,779	5,214	8,176,299	220,281	6,299,403	20,410,976	15
1982	6,874,163	7,130	9,400,542	235,114	7,385,532	23,902,481	17
1983	7,116,775	7,099	9,019,897	253,990	7,798,040	24,195,801	1
1984	7,346,150	7,504	10,175,573	318,524	10,082,796[3]	27,930,547	15
1985	7,806,250	7,030	11,509,798	332,959	10,831,923	30,487,960	9
1986	5,400,541	6,248	11,416,289	352,698	10,840,087	28,015,863	--181
Annually Compounded Growth Rate							
1977–1986	8.5%	7.3%	11.1%	9.8%	12.1%	10.9%	–

[1] Revenue less interdepartmental sales.
[2] Revenue less interdepartmental and resale.
[3] Intrastate through 1983, total company thereafter.

MAJOR RATE REVISIONS

Decisions Effective July 1, 1986 to June 30, 1987

Type of Utility	Rate Revisions
INCREASES	
Gas	$390,371,400
Butane	155,740
Steam	-0-
Electric	1,516,467,876
Communications	12,711,000
Water	8,133,334
Subtotal	1,927,839,350
REDUCTIONS	
Gas	(62,361,000)
Butane	-0-
Steam	(1,003,700)
Electric	(531,300,000)
Communications	(191,041,000)
Water	(228,058)
Subtotal	(785,705,700)
NET CHANGE	
Gas	328,010,400
Butane	155,740
Steam	1,003,700
Electric	985,167,876
Communications	(178,330,000)
Water	7,905,276
TOTAL NET REVISIONS	$1,143,912,992

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1986–87
UTILITY MATTERS

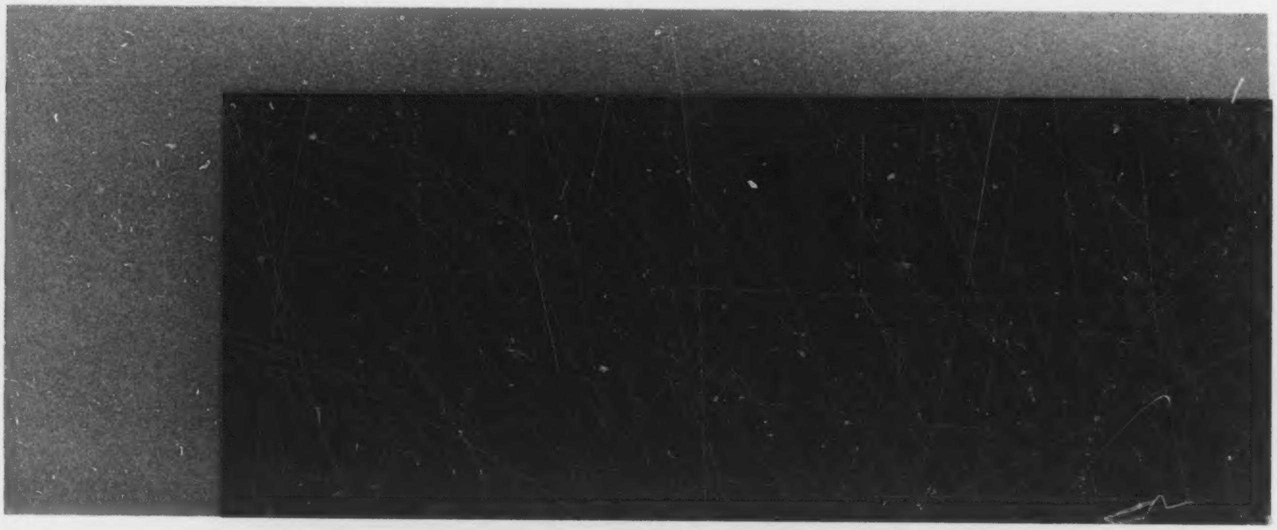
	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
WATER AND SEWER UTILITIES								
Complaints	4	1	6	11	10		3	13
Rate Matters	9	16	14	39	21		1	22
Certification/Transfers			2	2	17			17
Miscellaneous	2			2	1			1
Commission Investigations	4	3	1	8	6		1	7
Finding of Just Compensation—Condemnation	5	1	1	7	2			2
	24	21	24	69	57	0	5	62
ELECTRIC UTILITIES								
Rate Matters (General Rate Cases)	64	1	7	72	12		2	14
ECAC—(Energy Cost Offset)	50	12	2	64	17		1	18
Major Plant Additions								0
a. Rate Base Offset	22			22	5		1	6
b. MAAC				0			1	1
Certification								
a. Power Plants	8	1		9				0
b. Transmission Line Siting	8	1		9	3			3
Deviations from Undergrounding Rules	1		1	2	1			1
Complaints	16	4	3	23	27		4	31
Electric Safety/Line Extension				0				0
Miscellaneous	18		1	19	6		2	8
	187	19	14	220	71	0	11	82
GAS UTILITIES								
Rate Matters (General Rate Cases)	5	3	1	9	5			5
Gas Cost Offset—(Offset Matters)	20	2	2	24	19	2	2	23
LNG Siting				0				0
Gas Safety	1	1		2	1	2		3
Certification of Facilities	1			1				0
Complaints	5	7	2	14	7	2	4	13
Gas Service Priorities—Curtailment				0				0
Miscellaneous	6			6	1		1	2
	38	13	5	56	33	6	7	46
MULTI UTILITIES								
Gas and Electric (Rates)	25	1	8	34	5		1	6
Complaints	14		5	19	16			16
Commission Investigations	50		6	56	16		3	19
Miscellaneous	8			8	9			9
Rulemaking (All utilities)	3			3	8	1	2	11
	100	1	19	120	54	1	6	61
TELEPHONE UTILITIES/COMMUNICATIONS								
Rate Matters (General Rates)	86	23	9	118	7	2	2	11
Commission Investigations	7	9		16	21	1	2	24
Terminal Equipment (PBX Sales-Pricing)				0				0
Radio Telephone Utility (RTU) Certification	6			6	46		2	48
Other Common Carrier (OCC) Certification		1		1	5	1	1	7
Complaints	23	15	3	41	26		2	28
Miscellaneous	6	6		12	25	2	3	30
	128	54	12	194	130	6	12	148
FINANCING/TRANSFER OF UTILITIES OR CONTROL								
Combined Gas and Electric Utilities				0	6	10	1	17
Gas (Only)	1			1	5	4		9
Electric (Only)	2	1		3	3	7		10
Telephone	2			2	12	6		18
RTU	1			1	2	1		3
OCC				0	3	1		4
Water/Sewer	2		7	9	11	7	2	20
	8	1	7	16	42	36	3	81

ALTERNATIVE ENERGY—CONSERVATION								
Zero Interest Financing								
Gas				0				0
Electric				0				0
Residential Conservation Service								
Gas				0				0
Electric				0				0
Load Management (Electric Only)				0				0
Solar Financing—Demonstration								
Gas				0				0
Electric				0				0
Solar Related Matters								
Gas				0				0
Electric				0				0
Utility Resource Plan (Electric Only)				0				0
Cogeneration—Small Power Production (Electric Only)								
OIIs—OIRs				0				0
Individual Applications	19			19	2			2
	19	0	0	19	2	0	0	2
TOTAL UTILITY	504	109	81	694	389	49	44	482

ANNUAL SUMMARY
FISCAL YEAR 1986–87

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec Session	Total
TOTAL UTILITY	504	109	81	694	389	49	44	482
TOTAL TRANSPORTATION	61	39	10	110	247	116	14	377
GRAND TOTAL	565	148	91	804	636	165	58	859

Of the 859 decisions, 104 decisions were issued by Executive Director order.



Statistical Section – Transportation

TARIFF SECTION

Tariff and Contract Filings	Number of Carriers
Participate in Bureau or Agency Tariffs	2,590
Publish Own Tariffs	1,207
Contracts	3,926

Tariff Filings	Number of Carriers	Number of Tariffs On File
Railroads	32	205
Highway Common Carriers	3,797	1,192
Cement Carriers	188	19
Express Corporations	12	34
Freight Forwarders	28	47
Vessels	9	10

Under the general freight reregulation program instituted by D.86-04-045, the Commission tariffs were abolished and replaced by a system of carrier-filed rates under the rules promulgated by GO 147-A for highway common carriers and highway contract carriers.

HIGHWAY CARRIER OPERATING AUTHORITIES PROCESSING OF HIGHWAY CARRIER PERMITS AND CERTIFICATION

Permits	
New Permits	4,801
Transfers	1,206
Revocations	4,284
Motor Transportation	
Broker Licenses	37
TOTAL	10,328

Certificates	
New Certificate and Extensions	276
Transfers	187
Revocations	978
TOTAL	1,441

INSURANCE AND BOND FILINGS OF HIGHWAY CARRIERS OF PROPERTY

Public Liability and Property Damage	44,039
Cargo Insurance (Household Goods Carriers)	1,359
Insurance Cancellations	34,599
Insurance Reinstatements	9,213
Surety Bond and C.O.D. Bonds	1,982
TOTAL	91,192

1986–87

DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE AND VESSEL SERVICES

NEW AIRPORT ACCESS PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued To	Service Location
A8412037	D8607058	Santa Rosa Airporter Inc.	Marin County and San Francisco International Airport
A8509006	D8701039	J Logo	Pasadena and Los Angeles International Airport
A8512060	D8607048	Great American Stages Inc.	Los Angeles County and Los Angeles International, Burbank Airports
A8512067	D8608075	A. J. Duginski	Los Angeles, San Bernardino Co and Ontario Airport
A8601036	D8610016	Baker	Marin Co and San Francisco International Airport
A8601050	D8607044	Chariot for Hire	Contra Costa Co and San Francisco International Airport
A8602039	D8607015	San Diego Airport Express	San Diego and San Diego International Airport
A8604005	D8609036	Mitchell	Marina Del Rey and Los Angeles International Airport
A8605054	D8611021	M. Miller	Sacramento County and Sacramento County Airport
A8606037	D8611046	A. Andres	Sacramento County and Sacramento County Airport
A8606054	D8612035	Travis Express Inc.	Solano County and Sacramento County Airport
A8606055	D8610018	Hotel Resort Management	Riverside Co and Palm Springs Airport
A8607025	D8612081	Travelers Transportation Co. Inc.	Marin County and Oakland International Airport
A8608020	D8703015	K. C. Lu	Temple City and Los Angeles International Airport
A8608039	D8701038	American Travel Planners	Riverside Co. and Palm Springs Airport
A8608040	D8703016	Kindt	San Fernando Valley and Burbank, Los Angeles International Airports
A8608042	D8701025	Pfeifer	Bakersfield and Los Angeles International Airport
A8610083	D8703018	Pinetree Service Corporation	Anaheim et al and John Wayne Airport
A8611011	D8704018	G. Claire	Sacramento County and Sacramento County Airport
A8611031	D8704023	Adabinsky	Los Angeles, Ventura Co and Los Angeles International, Burbank Airports
A8612043	D8706062	Pinetree Service Corporation Inc	Orange Co and John Wayne, Ontario Airports

FARE INCREASES AUTHORIZED SURFACE PASSENGER CARRIERS

Application No.	Decision No.	Certificate Issued To		Estimated Annual Intrastate Revenue Under Fares Authorized
A8603013	D8704071	Supershuttle of LA	ZORF	
A8605022	D8609015	Orange Belt Stages	$ 772,000	$ 976,000
A8606017	D8611038	Trailways	$1,470,896	$1,662,112
A8606020	D8704021	R. Beauchane	$ 180,934	$ 224,285
A8610024	D8701071	Fun Connexion	$ 80,000	$ 97,000
A8610067	D8612081	Commuter Bus Lines Inc.	$1,225,419	$1,336,941
A8610073	D8703071	Lorrie's Travel & Tours	$ 995,002	$1,277,656
A8602018	D8607046	Mark IV Charter Lines Inc.	$ 146,000	$ 175,000

MINIMUM RATE TARIFF INCREASES FISCAL YEAR (86–87)

Transportation	Percent Increase	Dollar Increase (In Thousands)
Livestock, MRT 3-A	None	None
Household Goods, MRT 4-C	14.50	9,460
Dump Truck, MRT 7-A	2.60	6,105
MRT 17-A	2.20	1,445
MRT 20	2.20	751

FARE INCREASES AUTHORIZED VESSEL COMMON CARRIERS

Application No	Decision No.	Certificate Issued To	Estimated Annual Intrastate Revenues Under Present Fares	Estimated Annual Intrastate Revenues Under Fares Authorized
A8704007	D8706051	H Tourist Inc	$8,438,000	$8,637,000
A8705006	D8706052	Catalina Passenger Service Inc.	$1,119,970	$1,350,993

NEW HOME-TO-WORK PASSENGER STAGE SERVICES

Application No.	Decision No.	Certificate Issued To	Service Location
A8604034	D8607047	Whippet Charter Service	Milpitas and United Airlines Maintenance Base
A8604043	D8705080	Bayporter Express	Alameda, Contra Costa, San Mateo, Santa Clara Co and SFO, Oak, SJC
A8607006	D8609018	101 Commuter Inc.	Santa Clara Co and San Francisco International Airport
A8610043	D8702016	K. Baker	Fremont and United Airlines Maintenance Base
A8701030	D8703074	Transit Management Services	Sacramento and San Francisco
A8701031	D8704063	D. R. Inglis	Napa Co and Mare Island Shipyard
A8702011	D8704062	McGill	Santa Clara Co and Bishop Ranch
A8704016	D8704025	Mansel	Santa Clara Co and Sunnyvale
A8704030	D8706040	Quintanilla	Emeryville and San Francisco
A8704065	D8706037	Scott	Santa Clara Co and United Airlines Maintenance Base

NEW INTERCITY PASSENGER STAGE SERVICE

Application No.	Decision No.	Certificate Issued To	Service Location
A8607042	D8608026	M. Thomas	Imperial County
A8610092	D8701070	R. Bauer's Bike Shop	Fresno and Fresno County

NEW VESSEL COMMON CARRIER PASSENGER SERVICES

Application No.	Decision No	Certificate Issued To	Service Location
A8605013	D8608077	Harbor Carriers Inc	Vallejo and Angel Island
A8607014	D8702025	California Cruisin Inc.	San Diego and Santa Catalina Island
A8609017	D8609017	H Tourist	San Diego, Long Beach and Santa Catalina Island
A8609037	D8702011	Star & Crescent	San Diego and Coronado
A8701001	D8705014	Hydro Marine	Los Angeles Harbor and Santa Catalina Island
A8701036	D8706061	Catalina Channel Express Inc.	Redondo Beach and Santa Catalina Island
A8703055	D8705083	Harbor Carriers, Inc	San Francisco and Stockton

SUMMARY OF ROAD CHECKS

	Number
Road Checks	17
Carriers Reviewed	7,131
Violations Disclosed	156

TYPES OF ACCIDENTS

1986

Type of Accident	ACCIDENTS Total	ACCIDENTS % of Total	CASUALTIES Killed	CASUALTIES Injured	CASUALTIES Total	CASUALTIES % of Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
VEHICLE—TRAIN ACCIDENTS						
Vehicle—Train at Public Crossings	249	80.06	27	58	85	79.44
Vehicle—Train at Private Crossings	43	13.83	5	6	11	10.28
Vehicle—Train Between Crossings	1	0.32	0	0	0	0.00
Subtotal	293	94.21	32	64	96	89.72
OTHER ACCIDENTS						
Miscellaneous	10	3.22	1	2	3	2.80
Pedestrian Accidents	8	2.57	5	3	8	7.48
Subtotal	18	5.79	6	5	11	10.28
TOTAL	311	100.00	38	69	107	100.00

"Vehicle" includes automobile, bus, truck, or motorcycle.
"Between Crossings" accidents take place where railroad trains operate longitudinally in paved streets.
"Miscellaneous" includes those accidents where the train struck bicycle, farm tractor or similar conveyance, and those incidents involving a maintenance train.

SAFETY PROGRAM—RAILROAD OPERATIONS

The table below summarizes the staff functions in dealing with problems and in obtaining compliance with several State statutes and Commission General Orders applying to the health and safety of common carrier railroads, operating and non-operating employees, passengers, and the public.

	1982-83	1983-84	1984-85	1985-86	1986-87
1. Accident Reports analyzed and tabulated (calendar year)	2613	2335	2308	2026	1685
2. Casualties investigated in detail (calendar year)	198	171	187	161	148
3. Train accident investigations (calendar year)	82	105	102	79	60
4. Impaired clearance conditions processed	320	512	703	587	488
5. Walkways and other unsafe conditions processed	891	1180	883	1857	1372
6. Informal complaints filed	102	79	76	105	78
Informal complaints closed	125	117	80	92	110
7. Total inspection transactions	2034	1786	949	3024	2113
8. Federal Safety Standards Unit (calendar year)					
Equip. Inspections	336	298	275	201	272
Track Inspections	250	147	153	162	205

AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS BY COUNTY

1986

Line No.	County	Column I Number of New Crossings with Automatic Protection	Column II Initial and Improved Automatic Protection	Column III Automatic Gates (Included in Cols I & II)
	(1)	(2)	(3)	(4)
1	Alameda	2	1	–
2	Butte	–	1	1
3	Contra Costa	1	1	2
4	Fresno	1	3	3
5	Glenn	–	1	1
6	Humboldt	–	1	1
7	Kern	1	2	2
8	Los Angeles	1	13	10
9	Orange	–	1	1
10	Placer	–	2	2
11	Sacramento	5	8	11
12	San Diego	–	5	4
13	San Joaquin	–	5	5
14	San Mateo	1	–	1
15	Santa Clara	–	1	1
16	Tulare	–	2	2
17	Ventura	–	2	2
	Total	12	49	49

AUTOMATIC GRADE CROSSING PROTECTION MAINTENANCE FUND PAYMENTS

APPROPRIATIONS AND PAYMENTS

Fiscal Year 1986–87

Fiscal Year	APPROPRIATIONS Amount	Cumulative	AUTHORIZED PAYMENTS Amount	Cumulative
1986–87	$1,000,000	$19,651,224	$1,000,000	$17,521,580.88

1986–87

GRADE SEPARATION FUND PROJECTS GRANTED ALLOCATIONS BY THE CALIFORNIA TRANSPORTATION COMMISSION

Line		Location	Railroad	Allocation
		(1)	(2)	(3)
1	Limonite Ave	Riverside Co	UPRR	$ 4,243,224.51^
2	Arden Way	Sacramento *	SPTCO	82,065.26
3	Bake Parkway	Irvine *	AT&SF	67,906.17
4	Imperial Hwy	Norwalk *	SPTCO	1,327,534.12
5	Jackson Dr	MTDB San Diego	SD&IV-SDTrlly	3,200,000.00
6	Morton Blvd	Modesto	M&ET	240,000.00
7	Monroe St	Indio	SPTCO	4,892,800.00
8	Carson St	Carson	SPTCO	946,469.94 < >
	Total Allocation			$15,000,000.00

* Supplemental allocation
^ Balance Allocation, Section 2460.5 S & H Code.
< > Total Amount Requested $5,000,000.00

DISTRICT OFFICE ACTIVITIES

	Amount
Telephone Inquiries	129,033
In Person Inquiries	38,725
Applications for New Operative Authority Processed	4,255
Amendments of Existing Operating Authority Processed	117
Remittances Processed (fees, fines, penalties, etc.)	$1,871,162

SUMMARY OF INVESTIGATIONS COMPLETED

	Number
OPERATING AUTHORITY	
Highway Carriers of Property	5,636
Charter Party Passenger Carriers	899
RATE AND TARIFF	
Highway Carriers of Property	1,253
Surety Bond Investigations	976
TOTAL Investigations	8,764

SUMMARY OF INFORMAL COMPLAINTS

	Number	Amount
Delinquent Subhaul Monies Secured from Prime Carriers	90	$297,442
Household Goods Carrier Complaints	598	
Property Complaints other than Household Goods	1,332	
Household Goods Overcharge Settlements	176	57,753
Other Property Overcharge Settlements	12	3,414
Household Goods Loss & Damage Settlements	77	34,523
Other Property Loss & Damage Settlements	19	16,963

NUMBER OF SHIPMENTS RATED

	Formal	Undercharge Citation	Priority	Non-Priority
Rate Analysis Unit	2,375	6,312	786	80

INFORMAL DISCIPLINARY ACTIONS

Type of Action	Number	Amount	Fines Assessed
Carrier Conferences			
Certificated	135	$	$
Contract	131		
Household Goods	133		
Dump	39		
Other	61		
TOTAL	499		
District Attorney Citations			
Certificated	0		
Contract	2		
Household Goods	6		
Dump	10		
Passenger	1		
TOTAL	19		
Misdemeanor Convictions			
Certificated	0		0
Contract	68		47,181
Household Goods	14		7,421
Dump	18		7,195
Passenger	49		31,052
Other	31		21,111
TOTAL	180		113,960
Undercharge Letters	10	3,168	
Citation Forfeitures	277		260,900
Undercharge Citations	60		377,994

FORMAL INVESTIGATION PROCEEDINGS

Formal Cases submitted 15 O.I.I.'s issued by the Commission 8

FORMAL DISCIPLINARY ACTIONS

8 Decisions Totaling: Punitive $29,500; Undercharges $188,895.
Totaling $216,395 in fines ordered.
Collected from Formal Cases $118,598

TRANSPORTATION MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
HIGHWAY CARRIER RATES								
Rate Increase Applications and/or Minimum Rate Case Petitions for Modification	1			1	14	23		37
Applications for Deviations From Minimum Rates	6	1	6	13	32		1	33
Commission OIIs or OIRs Into Generic Rate Matters and/or Rules or Policy	7	6	1	14	24	4	3	31
Rate Enforcement (OIIs)				0				0
Safety-Insurance Matters				0	1		1	2
I&S Complaints About Rate Levels			1	1	3		1	4
Complaints (Other Than Rate Levels)	4	4		8	6		3	9
Miscellaneous		1		1	10			10
	18	12	8	38	90	27	9	126
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)		1		1	1		2	3
Permitted/Specialized Carriers (e.g., Dump Truck)		3		3	12			12
	0	4	0	4	13	0	2	15
HIGHWAY CARRIER FINANCING—ACQUISITION OF CONTROL								
(Issue Stock, Bonds, or Acquire Stock Control of Entity)				0	5			5
SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	17	15		32	56	4	1	61
Charter Party	10			10	44	2		46
Vessel		2		2	3	1		4
Rates								
Passenger Stage	2			2	4	8		12
Vessel				0				0
Complaints								
Bus: Passenger Stage	6	3	2	11	6			6
Charter Carriers				0				0
Vessel				0	1			1
Rail		1		1				0
BART				0				0
OIIs—OIRs								
Bus				0	1			1
Vessel				0				0
Rail				0	1			1
BART				0	1			1
Safety—Compliance/Safety Rules								
BART				0				0
Rail Safety				0				0
Bus				0	1			1
Vessel				0				0
	35	21	2	58	118	15	1	134
RAIL CROSSINGS								
Applications	5	1		6	18	65	1	84

TRANSPORTATION MATTERS

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div	Branches	Exec. Session	Total
OIIs—OIRs	1	1		2	1		1	2
Complaints				0		8		8
	6	2	0	8	19	73	2	94
MISCELLANEOUS								
Pipeline	2			2	1			1
Surface Passenger Matters				0	1	1		2
	2	0	0	2	2	1	0	3
TOTAL TRANSPORTATION	61	39	10	110	247	116	14	377

PUC LEGAL PROCEEDINGS
July 1, 1986–June 30, 1987

Petitions For Rehearing

Filed	Granted	Denied	Action Pending	Dismissed
86	13	57	15	1

Appeals To California Supreme Court

Filed	Granted	Denied	Action Pending	Dismissed
10	0	6	4	0

Federal Court Appeals

PUC Position Affirmed	PUC Position Rejected	Pending
11	1	9

Appendix

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION
1986–87

Electric	11
Gas	6
Steam	2
Water	253
Sewer	14
Telephone (local)	22
Telephone (long distance)	96
Telegraph	1
Mobile Radio Telephone	90
Cellular Radio Resale	43
Cellular Radio Facilities	9
Pipelines	6
Commercial Air Operators	1,057
Charter-Party Carriers, Certificated	439
Charter-Party Carriers, Permits	1,163
Passenger Stages	192
Highway Common Carriers, Certificated	3,813
Cement Carriers, Certificated	174
Car Loading Companies	1
Freight Forwarders (except by air)	26
Express Corporations	10
Railroads	28
Inland Passenger Water Carriers, Certificated	15
Inland Water-Carriers, For-Hire	339
Freight Water-Carriers, Certified	3

Permits in force, June 30, 1987 (Highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy specialized carriers, agricultural carriers, tank truck carriers, vacuum truck carriers, and seasonal agricultural and livestock carriers.) 38,101
These permits are held by 22,713 for-hire truck operators.

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PUBLIC UTILITIES COMMISSION

ANNUAL REPORT
1986 – 1987

UNION LABEL